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United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5F

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Report of the Board of Auditors

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

31 March 2012

In accordance with regulation 6.5 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2011, which I hereby approve. The financial statements have been completed and certified as correct by the Chief Finance Officer.

Copies of these statements are made available both to the Advisory Committee on Administrative and Budgetary Questions and to the Board of Auditors.

(*Signed*) Achim Steiner
Executive Director
United Nations Environment Programme

The Chair of the Board of Auditors
United Nations
New York

30 June 2012

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Environment Programme for the biennium ended 31 December 2011.

(*Signed*) Liu Jiayi
Auditor-General of China
Chair of the Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the Fund of the United Nations Environment Programme, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities, reserves and fund balances (statement II), the statement of cash flows for the biennium (statement III) and the supporting statements, schedules and explanatory notes.

Management's responsibility for the financial statements

The Executive Director of the United Nations Environment Programme is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal control as he deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Environment Programme as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of the United Nations Environment Programme that have come to our notice, or which we have tested as

part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules, we have also issued a long-form report on our audit of the Fund of the United Nations Environment Programme.

(*Signed*) Liu Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Amyas Morse
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Terence Nombembe
Auditor-General of South Africa

30 June 2012

Chapter II

Long-form report of the Board of Auditors

Summary

The United Nations Environment Programme (UNEP) is mandated to assist and support Member States to protect the environment by inspiring, informing and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP headquarters is in Nairobi, but it has a global presence of six regional offices and eight country/liaison offices, and collaborative arrangements and secretariat functions in several other countries. It has a staff of 1,151, of which 458 are based in Nairobi.

During the biennium, UNEP spent approximately $809 million, 1 per cent more than the total income of $801 million it received. UNEP also administers 14 multilateral environmental agreements, mainly conventions set up to implement protocols related to the core mandate of the Programme. The income ($214.2 million) and the expenditure ($210.6 million) of the multilateral environmental agreements have been included in the consolidated financial statements of UNEP.

The financial statements also include separate statements for the income, expenditure, assets and liabilities of the Trust Fund for the Multilateral Fund,[1] which had income of $263.5 million and expenditure of $213.6 million in the biennium, and a reserve balance of $362.7 million as at 31 December 2011.

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the Fund of the United Nations Environment Programme for the biennium ended 31 December 2011. The audit was carried out through the examination of financial transactions and operations at UNEP headquarters in Kenya and field visits to regional and country offices in Thailand, Switzerland, Panama and Brazil.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Environment Programme as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Modification of the audit report for the biennium 2008-2009

In its audit report on the financial statements for the biennium 2008-2009, the Board issued a modified audit report with an emphasis of matter. The emphasis of matter drew attention to the write-off of $8 million to the value of non-expendable property, for which appropriate details were not provided to the Board. During 2010-2011 further work carried out by UNEP resulted in an adjustment to increase the value of non-expendable property by $1.2 million. UNEP was able to provide sufficient evidence to the Board in support of the adjustment and an emphasis of matter is therefore not considered necessary in 2010-2011.

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[1] The Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer.

The Board remains concerned, however, that the significant adjustment to the value of non-expendable property at the end of the biennium indicates continuing problems with the maintenance of accurate and up-to-date property records and comments on this in the long-form report.

Overall conclusion

Sound financial management is critical to the effective operation of any organization. While the UNEP financial management arrangements are operating effectively overall, the Board found a number of areas where there is scope for improvement. Specifically, the Board noted significant weaknesses in UNEP oversight of the activities of one of the multilateral environmental agreements, and in the management of its cash balances, particularly those maintained in currencies other than the United States dollar.

UNEP has set out in its strategic documents its programme of activities. It also has in place both a framework and systems for gathering and reporting programme performance to senior management. However, the Board found weaknesses in strategic programme alignment and performance reporting that limit the ability of UNEP to accurately report its progress, which could compromise the effectiveness of programme delivery. Programme outputs in the UNEP programme of work were not linked to the associated expected accomplishments and indicators and there were discrepancies in reported performance. These weaknesses undermine the ability of UNEP to fully embed results-based management in its operations.

UNEP introduced a new performance information system midway through 2011 to improve performance reporting. While there is some evidence of benefits, the system is still relatively new and requires further improvement. Until UNEP embeds a systematic and quantified approach, which links financial and performance management information, backed up with improved performance and financial and risk management, it will not be able to objectively demonstrate that it has used its resources cost-effectively in the delivery of its activities.

Key findings and recommendations

Relationship with multilateral environmental agreement treaty bodies

The Board has found that UNEP is clarifying the nature of its relationship with the treaty bodies that form the multilateral environmental agreements of the United Nations, through the introduction of new memorandums of understanding and letters of delegation. The Board notes that some multilateral environmental agreements may elect to rescind their relationship with UNEP and remove themselves from the financial and operational control of the Executive Director of UNEP and we urge UNEP to resolve these issues as a matter of urgency.

Financial management

- There were significant realized and unrealized losses as a result of weaknesses in the management of cash and investments.
- The Multilateral Fund, for which UNEP is the treasurer, incurred $10.3 million in losses on currency exchange transactions during the biennium. These losses arose because pledges made to the fund at a fixed rate of exchange were subsequently paid to UNEP in the currency of the donor country when the rate

of exchange had deteriorated. At the Board's request these losses are disclosed in statement XI.

- UNEP incurred $13.8 million of unrealized losses on its euro cash balances. The Board found that the risks associated with holding significant amounts of euro currency were not actively managed. Significant unrealized losses therefore built up over the period in which the currency suffered a steady decline in value. At the Board's request these losses are disclosed in statement I and schedule 9.1.
- The Board has also found that UNEP continues to have large amounts of cash held by its implementing partners as advances (over $80 million at the end of the biennium).

Oversight of the multilateral environmental agreements

The Board noted significant weaknesses in UNEP oversight of the financial management of the Mediterranean Action Plan.[2] In particular, certifying officers responsible for the Mediterranean Action Plan budgets created expenditure allotments without firm evidence of funds being paid. Consequently, expenditure incurred against these allotments resulted in a significant overspend of the actual funds available. Remedial procedures introduced by UNEP management subsequently reduced the cumulative deficit of some $5.1 million as at 31 December 2009 to $2.2 million as at 31 December 2011.

The Board also noted weaknesses in 2010 in arrangements of UNEP for the selection and oversight of delivery partners. The Board found that significant progress had been made during the biennium in implementing the recommendation of the Office of Internal Oversight Services (OIOS) and in strengthening governance arrangements for the Programme's engagement with delivery partners.

Strategic programme management

UNEP has set out its programme of activities in its various strategic documents, but the Board found deficiencies in the alignment between these documents, which in turn might undermine effective delivery of the strategic objectives of UNEP. The Board also found deficiencies in strategic alignment, where programme outputs were not well linked to expected accomplishments and performance indicators in the UNEP programme of work.

Performance reporting

UNEP has established a framework and systems for reporting programme performance, but the Board found discrepancies between the result recorded in its new performance reporting system and the performance reported to its Governing Council and that senior management did not regularly review programme performance.

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[2] The Mediterranean Action Plan for the Barcelona Convention (Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean).

In the light of the findings above, the Board makes detailed recommendations in the main body of the present report. In summary, the main recommendations are that UNEP:

- **Enhance and clarify the oversight role and delegations of authority for the creation of allotments and issue to all concerned parties clarified authorizing documents that set out their roles and responsibilities.**
- **Review its relationship with each of the multilateral environmental agreements and determine, for the purposes of the International Public Sector Accounting Standards (IPSAS) transition, whether the agreements concerned remain under the operational and financial control of UNEP.**
- **Assign an appropriate individual to monitor the impact of exchange rate fluctuations on its cash balances, as translated into United States dollars, and to alert senior management whenever there is a need for action to avoid incurring losses.**
- **In consultation with United Nations Headquarters and taking account of relevant costs and benefits, assess the feasibility of introducing procedures to mitigate exchange rate risks that may adversely affect its cash flows and balances.**
- **Introduce measures to ensure that payments are only made to its implementing partners when it has sufficient evidence that the funds are required for the imminent settlement of project costs.**
- **Review all advances held by its implementing partners and recover all sums which are not due to be expended within a period of six months at most.**
- **When finalizing its outputs for the 2014-2017 medium-term strategy and related programme of work, define each project's expected contribution to the strategic outputs, outcomes and expected accomplishments of UNEP.**
- **Establish performance indicators that can be aggregated to provide an overall picture of programme performance.**
- **Require that in future project proposals the baselines, targets, data sources and methods to be used to measure progress towards intended results are articulated clearly.**
- **Require that its senior management team review performance and progress against its strategic plan, at least every six months, and that it document its consideration, including any actions to be taken.**

Previous recommendations

Of the 26 recommendations made for the biennium 2008-2009, 16 (61 per cent) were fully implemented, 8 (31 per cent) were under implementation, and 2 (8 per cent) were not implemented. Of the 8 recommendations not yet fully implemented, UNEP has informed the Board that it is unable to make substantive progress on 6 recommendations ahead of wider changes to be led by United Nations Headquarters. The Board notes that UNEP is responding positively to the concerns raised previously and will continue to monitor progress.

A. Background

1. The United Nations Environment Programme (UNEP) is mandated to assist and support Member States to protect the environment by inspiring, informing and giving them the means to improve the living standards of their populations without compromising those of future generations. UNEP headquarters is in Nairobi, but it has a global presence of six regional offices and eight country/liaison offices, and collaborative arrangements and secretariat functions in several other countries. The present report also covers a number of bodies with which UNEP has specific, ongoing relationships. These include the Global Environment Facility, the multilateral environmental agreements and the United Nations Office at Nairobi, further details of which are set out below. UNEP has a staff of 1,151.

The Global Environment Facility

2. UNEP is one of ten implementing agencies of the Global Environment Facility, which funds projects undertaken in developing countries in the areas of biodiversity, climate change, international waters, land degradation, ozone layer depletion, and persistent organic pollutants. The Global Environment Facility receives voluntary contributions from 34 Member States. The adoption and evaluation of the programmes of the Facility are the responsibility of its Council.

3. UNEP manages the funds allocated to it from the Global Environment Facility through four trust funds, and these are subject to annual audits by the Board. For the financial year ended 31 December 2010, the trust funds collected income of $56.1 million and expended $47.2 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, who are the trustees of the Global Environment Facility. The Board has no observations to make about the administration by UNEP of the Global Environment Facility trust funds.

Multilateral environmental agreements

4. Over the years, UNEP activities have led to a number of conventions and associated protocols on major environmental challenges. These have generated multilateral environmental agreements, each of which requires that countries develop specific mechanisms and fulfil agreed obligations for improving the environment.

5. UNEP administers 14 multilateral environmental agreements. It discloses in its financial statements the transactions of the trust funds it manages directly, in support of the activities of the agreements and conventions, for implementing their agreed protocols and programmes. The Board's audit of UNEP includes an examination of balances relating to the multilateral environmental agreements. The Board comments specifically in the present report on issues concerning the following funds of the multilateral environmental agreements:

- The Multilateral Fund, formulated and managed under the Vienna Convention for the Protection of the Ozone Layer.
- The Mediterranean Action Plan, comprising the strategies, budgets and programmes of the Barcelona Convention.

The United Nations Office at Nairobi

6. The United Nations Office at Nairobi provides administrative and financial services for UNEP, including procurement, human resources and information and communications technology management. Many of the recommendations made by the Board to UNEP will require joint action with the United Nations Office at Nairobi.

B. Mandate, scope and methodology

7. The Board of Auditors (the Board) has audited the financial statements of the Fund of the United Nations Environment Programme (UNEP) and reviewed its operations for the financial period ended 31 December 2011 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

8. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund of the United Nations Environment Programme as at 31 December 2011 and the results of its operations and cash flows for the financial period, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

9. The Board also reviewed UNEP operations under Financial regulation 7.5 which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations. The Board focused on strategic programme management and performance reporting.

10. During the course of the audit, the Board visited UNEP headquarters in Kenya, and examined field operations in Thailand, Switzerland, Panama and Brazil, in full coordination with OIOS.

11. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

12. The Board's observations and conclusions were discussed with UNEP, whose views have been appropriately reflected in the report.

C. Findings and recommendations

1. Follow-up of previous recommendations

13. Of the 26 recommendations made for the biennium 2008-2009, as set out in the previous report (A/65/5/Add.6), 16 (61 per cent) were fully implemented, 8 (31 per cent) were under implementation, and 2 (8 per cent) were not implemented as they would require a change to United Nations Headquarters procedures. Further details are provided in the annex to the present chapter.

Recommendations under implementation or not implemented

14. The Board noted that implementation of six of the eight recommendations classified as under implementation depended, to a significant extent, upon a number of changes and reforms outside the direct control of UNEP. Those recommendations include developing a funding strategy for end-of-service and post-retirement liabilities and the enhancement of the Integrated Management Information System (IMIS) system to improve the records on contracts for goods and services. The two remaining recommendations also under implementation relate to the need to ensure performance indicators are supported by documentary evidence and to the closure of a trust fund. The Board encourages UNEP to make further progress with these recommendations, in consultation with Headquarters where necessary, and will continue to monitor the action taken.

15. On the two recommendations that were not implemented, the Board previously recommended that UNEP, in collaboration with United Nations Office at Nairobi and Headquarters, revise its accounting treatment of education grants. Education grants were recorded as advances to staff members, whereas they should have been considered as payments to staff members and recorded as obligations for the period. UNEP was informed by the United Nations Office at Nairobi that this would require a policy change from Headquarters and it therefore took no action. In its previous report the Board also recommended that, in implementing IPSAS, UNEP should, in collaboration with the United Nations Office at Nairobi, consider revising its policy on the valuation of leave liability. Again, UNEP was informed by the United Nations Office at Nairobi that this issue was being coordinated by Headquarters. As such, UNEP will only be able to implement the two recommendations upon receipt of instructions from Headquarters and as part of the ongoing transition to IPSAS.

2. Financial overview

Income and expenditure[3]

16. Total income for the period under review amounted to $800.7 million and total expenditure to $809.2 million, resulting in a deficit of income over expenditure of $8.5 million. Compared with the previous financial period, income rose by 6.7 per cent, or $50.8 million. Expenditure increased by 15.7 per cent, or $109.6 million.

17. In 2010-2011, voluntary contributions amounted to $772.7 million, representing 96.5 per cent of the total income for the biennium. The 6.7 per cent increase in total income in the biennium is made up mainly of voluntary

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[3] Unless otherwise indicated, the financial analyses in the present report do not include the Multilateral Fund.

contributions, which increased by $58.3 million, or 8 per cent, compared with 2008-2009 contributions of $714.4 million. The increase in voluntary contributions is indicative of sustained support for UNEP and its activities by donors.

18. The 15.7 per cent increase in expenditure represents increases in staff costs (up by 12.6 per cent, or an additional $40.1 million), contractual services (up by 13.9 per cent, or an additional $29.9 million) and operating expenses (up by 25.2 per cent, or an additional $26.8 million).

Assets and liabilities

19. Total assets, for the biennium, excluding non-expendable properties, which are not included in the statement of assets and liabilities, amounted to $644.5 million, while total liabilities amounted to $407.6 million. Compared with the previous biennium, assets rose by $140.6 million, or 27.9 per cent, and liabilities increased by $191.9 million, or 89 per cent. The main components of the significant increase in assets include $68 million recorded to offset the cost of future commitments, under a new category of assets,[4] and a $17 million increase in amounts receivable from third parties. The main components of the increase in liabilities include increases of $37 million on payments received in advance, $40 million on unliquidated obligations, $44 million on end-of-service liabilities and $68 million under a new category of liability to reflect future years' financial commitments to projects.

20. As shown in table II.1, UNEP cash balances at the end of the biennium 2010-2011 were 13.4 per cent higher than at the end of 2008-2009 (largely as a result of advance contributions of $38 million from the European Community), while its voluntary contributions rose by 8.2 per cent. This indicates that the rate of disbursements has slowed and that an interim measure introduced for the monitoring of cash balances has not led to a reduction in UNEP cash balances.

Table II.1

Comparison of contributions, expenditure and cash, 2006-2007 to 2010-2011

(Millions of United States dollars)

	2006-2007	2008-2009		2010-2011	
Line items	*Amount*	*Amount*	*Change (percentage)*	*Amount*	*Change (percentage)*
Voluntary contributions	545.8	714.4	+23.6	772.7	+8.2
Expenditure	541.8	699.6	+22.6	809.2	+15.7
Cash	290.5	376.6	+22.9	427.2	+13.4

Data source: UNEP financial statements.

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[4] During the biennium, UNEP implemented the system of recording commitments against future years as liabilities. This change is in line with new instructions on this subject given by United Nations Headquarters.

Multilateral Fund

21. The financial statement (statement XI) of the Multilateral Fund is not consolidated with other UNEP funds. It is reported separately from other funds in the UNEP financial statements, which are submitted to the Executive Committee of the Multilateral Fund.

22. As shown in table II.2, the Multilateral Fund recorded a net current surplus of $49.9 million for the biennium 2010-2011, compared with a deficit of $1.9 million in 2008-2009. Table II.2 also shows a positive total reserves and fund balance of $362.7 million as at 31 December 2011, a marked reduction from the balance of $478.7 million as at 31 December 2009, largely because of the decision by UNEP to book a provision of $166.2 million as at 31 December 2011, against debts (unpaid contributions) outstanding for over four years, which are now deemed to be doubtful. This decision was approved by the Executive Committee of the Multilateral Fund.

Table II.2
Multilateral Fund
(Millions of United States dollars)

	2006-2007	*2008-2009*	*2010-2011*
Income	311.8	282.9	263.5
Expenditure	349.5	284.8	213.6
Surplus or deficit	(37.7)	(1.9)	49.9
Assets	488.5	481.9	493.9
Liabilities	8.0	3.2	131.2
Total reserves and fund balances	**480.5**	**478.7**	**362.7**

Data source: UNEP financial statements (2008-2009 balances are shown prior to being restated).

23. The liabilities of the Multilateral Fund have increased significantly from less than $10 million in each of the two previous bienniums, to $131 million at the end of the 2010-2011 biennium. This increase is due primarily to the introduction of the new accounting policy to record future commitments as liabilities of the Fund. The value of future commitments so recorded within the liabilities of the Multilateral Fund for 2010-2011 was $126.6 million.

3. Financial management

The financial management of the UNEP Mediterranean Action Plan

24. The Mediterranean Action Plan comprises the strategies, budgets and programmes of the Barcelona Convention. In November 2010, following the joint identification by UNEP and UNON of weaknesses in 2008-2009, the Conference of Parties to the Mediterranean Action Plan requested the Internal Audit Division of OIOS to conduct an audit of the financial management of the Trust Fund of the Mediterranean Action Plan for the period 2002-2009. The Board reviewed the findings and conclusions reached by OIOS as part of its external audit of UNEP and noted that in the opinion of OIOS, risk management, control and governance

processes in UNEP were unsatisfactory and did not provide reasonable assurance regarding the financial management of trust funds supporting implementation of Mediterranean Action Plan activities.

25. OIOS found that weaknesses in governance and oversight led to the inclusion of overestimations and inappropriate income sources in the budget proposals presented to the Conference of Parties during the period from 1994 to 2011. This subsequently led to expenses being incurred against expenditure allotments that were not backed by valid income or receivables. The two Mediterranean Action Plan trust funds therefore had negative closing balances (overspends). The overspends at the end of biennium 2008-2009 were $4,508,000 on the Trust Fund for the Protection of the Mediterranean Sea against Pollution and $603,000 on the Trust Fund for the Support of the Mediterranean Action Plan by the Government of Greece.

26. A number of specific weaknesses were identified by OIOS and recommendations for improvements were made. The Board undertook work to determine, first, the extent to which the weaknesses identified might be systemic across UNEP and, secondly, the progress made during the biennium to address the weaknesses. The board noted a fundamental lack of clarity between UNEP and the United Nations Office at Nairobi on the measures needed to prevent a recurrence of the situation. In essence, the Mediterranean Action Plan had been allowed to spend against unsupported allotments, owing to confusion as to where the responsibility lay (a) for ensuring that delegated authorities to create allotments for expenditure on the accounting systems were not being abused, and (b) for monitoring the extent to which trust funds were incurring expenditure that was over and above their respective cash balances.

27. During the course of the audit, UNEP accepted primary responsibility for applying the two controls noted above and the United Nations Office at Nairobi agreed to review the validity of the receivable balances created on accounting ledgers and against which allotments for expenditure were being created. The Board is content that the weaknesses in controls identified by OIOS will be adequately addressed by the introduction of, and adherence to, the monitoring and approval processes set out above.

28. **UNEP agreed with the Board's recommendation that UNEP (a) enhance and clarify the oversight role and delegation of authority for the creation of allotments without delay and (b) issue to all concerned parties clarified authorizing documents that set out their roles and responsibilities.**

29. UNEP has stated that the creation of allotments is being decentralized to multilateral environmental agreements and that it considers that the recommendations of OIOS have been substantially implemented. The roles and responsibilities of UNEP and the United Nations Office at Nairobi to prevent a recurrence of the Mediterranean Action Plan situation have been clarified and steps have been taken to replenish the fund. UNEP is also in the process of developing updated financial procedures as well as a UNEP/Barcelona Convention Conference of Parties Memorandum of Understanding with a view to its signature at the next Conference of Parties meeting at the end of 2013.

Regularity of expenditures through partners

30. The OIOS 2010 review of UNEP arrangements for project delivery through partnerships found significant weaknesses in the processes for engaging and monitoring partners, specifically, major failings in the controls around the creation and management of partnerships, and for ensuring the regularity of project expenditures.

31. While the OIOS findings and recommendations were accepted by UNEP management, the Board noted during its interim audit that most timelines for implementing the recommendations had been missed. The Board therefore assessed the level of assurance available with respect to the regularity of project expenditures to be included in the financial statements for the biennium 2010-2011. It was able to obtain sufficient assurance from its audit of project records and the associated expenditures.

32. During its final audit, the Board found that UNEP had implemented 16 of the 17 recommendations made by OIOS. The remaining recommendation related to a review of the status of outstanding project balances and appropriate steps to be taken to close expired projects. The Board confirmed that UNEP had issued instructions to all of its Divisions and that measures were being taken to reduce the backlog.

4. Presentation of financial statements

Allocations from the United Nations regular budget

33. Following the Board's previous recommendation, funding from the regular budget of the United Nations and related expenditure, previously reported as a note to the financial statements, is now reported on the face of the financial statements. The assets and liabilities related to regular budget funding are wholly owned by the United Nations Secretariat and are reported in volume I, the report on the financial statements of the United Nations. However, those specific to the expenditure that has been recorded in the UNEP income and expenditure statement have been reflected in statement II (Assets and liabilities). Comparative figures for the biennium ended 31 December 2009 have been restated accordingly.

Financial statement of the Multilateral Fund

34. Statement XI of the financial statements of UNEP covers the Multilateral Fund. The Multilateral Fund is not consolidated with other UNEP funds. It is reported separately from the other trust funds in the UNEP financial statements, a copy of which is submitted to the Executive Committee of the Multilateral Fund.

35. In its previous report, the Board was concerned that the non-consolidation of the financial statements of the Multilateral Fund was misleading, and recommended that UNEP clarify the legal situation of the Multilateral Fund and decide whether it was appropriate to consolidate it into the financial statements of UNEP.

36. Following a review of submissions from UNEP, and a review of the appropriateness of the current arrangements for reporting expenditure for the Trust Fund of the Multilateral Fund, the Board determined that its inclusion and presentation as a separate statement is proper under United Nations system accounting standards. The Board notes, however, that the criteria for the inclusion of

balances within financial statements prepared under IPSAS are more clearly prescribed and the current presentation will need to be reviewed for IPSAS compliance.

37. The Board further notes that the current practice of including unaudited balances for the three other implementing agencies of the Multilateral Fund (United Nations Industrial Development Organization (UNIDO), the World Bank and United Nations Development Programme), will need to be reconsidered under IPSAS, as there is scope for UNEP to work with UNIDO and the World Bank towards including audited balances within the future financial statements of the Multilateral Fund.

Multilateral environmental agreement trust funds

38. Multilateral environmental agreement trust funds are reported on a consolidated basis in UNEP accounts. However, a separate schedule (9.1) also reports, as line items, the income and expenditure and closing balances of each of the funds managed under each multilateral environmental agreement.

39. As at 31 December 2011, the total income of multilateral environmental agreement funds amounted to $214.2 million, or 27 per cent of total UNEP income. The total cash in the multilateral environmental agreement funds stood at $306.4 million, or 72 per cent of the Programme's total cash. The total reserves and fund balances represented $203.9 million, or 86 per cent of UNEP reserves and fund balances. Table II.3 sets out the status of the consolidated multilateral environmental agreement funds as at 31 December 2011.

Table II.3
Multilateral environmental agreement trust funds as of 31 December 2011

(Thousands of United States dollars)

	Multilateral environmental agreement trust funds						
Items	*General trust funds*	*Technical cooperation trust funds*	*Earmarked contributions*	*Other*	*Total all funds*	*Total UNEP*	*Share of multilateral environmental agreements in the total (percentage)*
Total income	**155 189**	**36 959**	**21 204**	**816**	**214 168**	**800 673**	**26.75**
Total expenditure	**154 301**	**35 120**	**20 457**	**761**	**210 639**	**809 188**	**26.03**
Cash and term deposits	**8 320**	**45**	**–**	**40**	**8 405**	**12 390**	**67.84**
Cash pool	**92 325**	**198 452**	**6 767**	**409**	**297 953**	**414 838**	**71.82**
Total assets	**128 909**	**326 283**	**7 034**	**477**	**462 703**	**644 484**	**71.79**
Total liabilities	**67 313**	**190 789**	**89**	**604**	**258 795**	**407 624**	**63.49**
Total reserves and fund balances	**61 596**	**135 494**	**6 945**	**(127)**	**203 908**	**236 860**	**86.09**
Total liabilities, reserves and fund balances	**128 909**	**326 283**	**7 034**	**477**	**462 703**	**644 484**	**71.79**

***Source*: UNEP financial statements.**

40. In its report on the 2008-2009 financial statements of UNEP (A/65/5/Add.6), the Board recommended that the Programme re-examine the extent of its control over the multilateral environmental agreements with a view to assessing the appropriateness of their inclusion in its financial statements.

41. In the first quarter of 2011, UNEP presented a paper to its Governing Council (UNEP/GC.26/INF/21) setting out the difficulties in the current relationship with the multilateral environmental agreements. In responding to the paper, the Governing Council instructed UNEP to consult with the Board, with the Office of Legal Affairs of the Secretariat and with the multilateral environmental agreements to determine an appropriate solution.

42. The Board reviewed submissions from UNEP supporting its view that it exercises substantive control over the multilateral environmental agreements through their secretariats. The Board also reviewed advice from the Office of Legal Affairs (submitted by UNEP) that the treaty bodies are independent and are outside the control of UNEP. The Office of Legal Affairs was clear that the Convention on Biological Diversity, one of the multilateral environmental agreements, should relate to UNEP through an agreed contract and not through a delegation of authority from the UNEP Executive Director. Separately, the Board confirmed that the control over programmatic funding for each multilateral environmental agreement lies with each convention's Conference of Parties and is demonstrated through the mechanism for approving the funding of budgets. In September 2011, the Board also visited one of the multilateral environmental agreements, the Stockholm Convention on Persistent Organic Pollutants, co-located in Geneva with a UNEP regional office, to review the substance of their relationship.

43. Overall, the Board found that the definition of control under the United Nations system accounting standards is sufficiently flexible to enable continued reporting of multilateral environmental agreement balances within UNEP financial statements. The United Nations system accounting standards does not prescribe in any detail the arrangements expected to be in place to prove a controlling relationship, but indicates that managed funds can be consolidated into the organization's financial statements. The current arrangements also ensure that the multilateral environmental agreements are subject to external audit.

44. The Board also found that UNEP currently manages the secretariats and the funds of the multilateral environmental agreements, and that current delegations of authority substantively vest the financial and administrative management of the multilateral environmental agreements in UNEP and its Executive Director. In fulfilling his duty to administer the multilateral environmental agreements, the Executive Director of UNEP has historically extended the governance arrangements applied to core UNEP activities to the activities of the multilateral environmental agreements, and considers that there are no substantive differences between the oversight regime in place for UNEP expenditure and the expenditure of the multilateral environmental agreements. In particular, the authorities to incur and settle expenditure in place at the multilateral environmental agreements are all delegated by the Executive Director of UNEP and all core financial and administrative functions in operation at the multilateral environmental agreements are supported by the United Nations Office at Nairobi as part of the service it provides to UNEP.

45. The Board will continue to monitor the new arrangements being put in place by UNEP as a result of its various consultations. A full review of the current accounting treatment will also be required as part of the preparations for implementing IPSAS. In the meantime, the Board believes it is acceptable to continue to include the financial statements of the multilateral environmental agreements within those of UNEP.

46. **UNEP agreed with the Board's recommendation that UNEP (a) continue to review the nature of its relationship with each of the multilateral environmental agreements, taking full account of the extent to which the multilateral environmental agreements have already implemented procedures that place them outside the scope of the operational and financial control of UNEP, and (b) determine for the purposes of IPSAS transition whether the multilateral environmental agreements concerned remain within or under the operational and financial control of UNEP.**

47. UNEP states that the question of consolidation of the multilateral environmental agreements has already been addressed by the United Nations IPSAS implementation team, which has confirmed that the multilateral environmental agreements will be consolidated.

Contributions received in kind

48. The Board found that UNEP had no system to record and disclose contributions received in kind. Under United Nations system accounting standards these are required to be disclosed within its financial statements. In response to an interim recommendation by the Board, UNEP established a recording system and in note 18 to the financial statements discloses that an estimated $2.2 million of in-kind contributions were received for 2010-2011.

5. Statement of income and expenditure

Disclosing obligations created in previous periods and subsequently cancelled

49. The Board identified 279 projects reporting negative net expenditure balances totalling just over $13 million at the end of the biennium, reflecting savings or underspends against obligations charged to projects in earlier years. These unspent balances on obligations are recorded as savings only if the projects concerned have been completed, and are disclosed as a separate line within the main UNEP income and expenditure statements. Where projects have not been completed, these savings are recorded against expenditure balances and result in a reduction in the total expenditure shown for the period.

50. The Board is aware that the transfer of savings from prior years to expenditure causes an understatement of the expenditure figure for the biennium. The process ensures that the ledgers reflect the correct expenditure for each project over its life (across multiple bienniums), but the distortionary effect of the negative expenditure entries was not adequately explained in the financial statements. Furthermore, the line entry in statement I (All funds summary) of the UNEP financial statements entitled "Savings on or cancellation of prior period obligations" does not clearly indicate that the balance disclosed related to savings from completed projects only.

51. **The Board recommends that for future financial statements, UNEP request that the United Nations Office at Nairobi enhance the disclosures**

within its financial statements (a) by inserting a footnote to statement I to state the value of negative entries caused by the cancellation of obligations created in previous periods and from projects that remain ongoing, and (b) by amending the line entry entitled "Savings on or cancellation of prior period obligations" on financial statement I to reflect that the balance relates only to completed projects.

6. Statement of assets, liabilities and reserves and fund balances

Incidences of trust funds with negative balances

52. In addition to the specific instance of the Mediterranean Action Plan, covered in section 3, the Board found other instances where trust funds had been overspent and had significant negative balances (see schedule 9.1). In total, four trust funds had been overspent by $2,355,000, of which the Trust Fund for the Protection of the Mediterranean Sea Against Pollution accounted for $1,667,000 (71 per cent). The overspends on these trust funds were being met by other funds within the UNEP pool of funds.

53. The Board is concerned that there appears to be no clear warning system for when a trust fund is spending more than the resources available to it, other than the monitoring of closing balances.

54. **UNEP agreed with the recommendation of the Board that (a) it review the cash reserves of each trust fund before expenditures are incurred, (b) that it require explicit and documented prior approval of the its Executive Director or his delegated representative for any instance where trust funds will spend more than the cash they have available, and (c) that the Executive Director take necessary steps to ensure that the spending of more cash than is available to each trust fund is reduced to the minimum level possible during the current biennium.**

55. UNEP stated that it considered that suitable controls are in place and that with the exception of the Mediterranean Action Plan, no other serious issues have come to light.

Unliquidated obligations and future commitments

56. Unliquidated obligations as at 31 December 2011 amounted to $131.7 million, representing 16 per cent of the total expenditure and an increase of 44 per cent from $91.4 million[5] as at 31 December 2009.

57. Unliquidated obligations grew at a far quicker pace than expenditure, which increased by 16 per cent, from $699.6 million for the previous biennium to $809.2 million. The following figure shows unliquidated obligations against total expenditure for the bienniums 2006-2007, 2008-2009 and 2010-2011.

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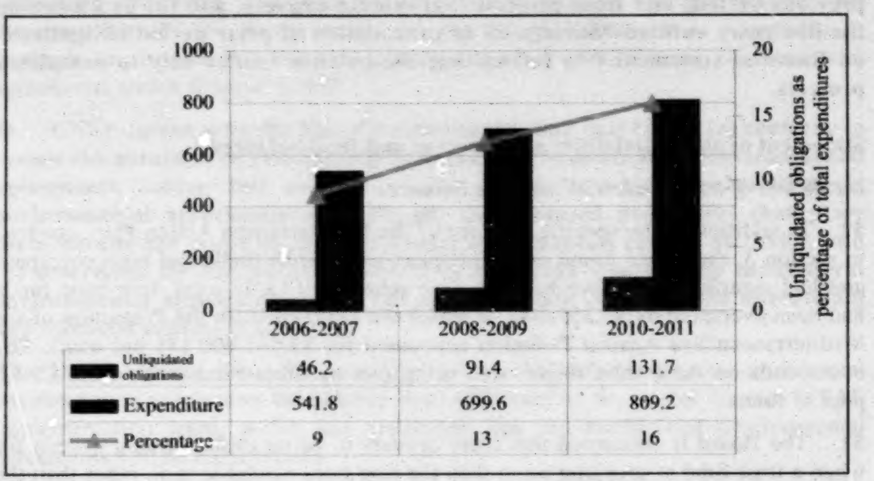
[5] The 2008-2009 balances for expenditure and unliquidated obligations have been restated to include income and expenditure from the regular budget of the United Nations.

Unliquidated obligations and expenditure

(Millions of United States dollars)



	2006-2007	2008-2009	2010-2011
Unliquidated obligations	46.2	91.4	131.7
Expenditure	541.8	699.6	809.2
Percentage	9	13	16

Source: UNEP financial statements.

Multilateral Fund income: voluntary contributions receivable

58. In its previous report, the Board observed that significant amounts of voluntary contributions due to the Multilateral Fund remained uncollected long after they were due to be received. In particular, at the end of the biennium 2008-2009, $184 million of pledges remained unpaid, out of which $117 million had been outstanding for more than five years. The position worsened in 2010-2011, and by 31 December 2011 some $187 million of pledges to the Multilateral Fund were uncollected, of which $156.3 million had been outstanding for over five years.

59. In response to the Board's previous recommendations, the disclosures about the receivable balance for the Multilateral Fund have been enhanced and, for the first time, statement XI now includes a breakdown of the unpaid pledges aged over five years. Furthermore, in anticipation of its transition to International Public Sector Accounting Standards, UNEP, with the approval of the Multilateral Fund, has changed its accounting policy on the recording of doubtful debts and recorded a provision of $166.2 million for doubtful debts in its financial statements for the biennium, to reflect the risk that full payments may not be received for the oldest elements of the unpaid pledges. UNEP has also implemented the Board's recommendation to disclose the accounting treatment applied in the notes to the financial statements.

Multilateral Fund income: disclosure of gains and losses on currency exchange

60. The agreed schedule of contributions to the Multilateral Fund grants Governments the option of paying their contributions at an agreed fixed exchange rate (the Fixed Exchange Rate Mechanism) for the three years of the Multilateral

Fund triennium.[6] The Fixed Exchange Rate Mechanism is a policy decision of the Multilateral Fund that has been operational since 2000. In cases where there are fluctuations in exchange rates between the dates when pledges are agreed and the date of payment, the income received in United States dollars is likely to be different from the amount recorded as pledged. This applies for all voluntary contributions pledged and received in the Multilateral Fund, so the total amount shown on schedule 11.1 of the UNEP financial statements for the biennium as collections for the period ($254,425,502) does not represent the amounts actually collected in the Multilateral Fund accounts, as exchange rate losses of $10.3 million were incurred on the receipts during the biennium.

61. As the Multilateral Fund bears the exchange rate risk for contributions made to it, the Board would expect to see the net effect of these exchange rate differences accounted for on the face of its financial statements. These were instead being included in the operating expenses balance, which distorted the picture of the actual operating expenses of the Multilateral Fund.

62. The Board believes that this information is of value to the users of the accounts, as it quantifies some of the financial impact of delays in the fulfilment of pledges, as exchange rate losses represent resources expected by the Multilateral Fund but not received.

63. **UNEP agreed with the Board's recommendation that UNEP disclose in the financial statements of the Trust Fund for the Multilateral Fund for each biennium the value of exchange rate losses (or gains) that occurred during the financial period, as a separate line item on the face of the financial statements.**

64. As stated on statement XI of the financial statements for the biennium 2010-2011, a loss of $10.3 million was incurred in the biennium as a result of currency exchanges processed through the Fixed Exchange Rate Mechanism.

65. The Board is of the view that UNEP should consider mitigating the risk of exchange rate losses. The scale of exchange rate losses incurred in 2010-2011 indicates there may be value in testing the feasibility of commercial solutions such as hedging or the use of forward contracts.

66. **The Board recommends that UNEP consider the feasibility of introducing procedures to mitigate exchange rate risks, subject to guidance from United Nations Headquarters and consideration of the costs and benefits.**

7. End-of-service liabilities

Funding policy

67. In its two previous reports, the Board recommended that UNEP establish a funding plan for end-of-service liabilities. The Board noted that in the biennium 2010-2011 the unfunded portion of end-of-service liabilities has increased from $43.2 million to $81 million, mainly as a result of a change in the actuarial assumptions underlying the valuation of the liability. Specifically, the discount rate applied for the calculation of the liabilities was reduced from 6.5 per cent to 4.5 per cent. The Board notes that UNEP has not yet established an agreed funding plan for

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[6] Of the 46 Multilateral Fund Member States, 20 opted to use the Fixed Exchange Rate Mechanism for paying their assessed contributions for the Multilateral Fund triennium 2009-2011, and 16 for the triennium 2012-2014.

after-service health insurance and unused vacation days that has been approved by the Governing Council of UNEP. As set out in the previous reports of the Board, such a funding plan would include a comprehensive and effective funding strategy that considers the nature of the liabilities to be funded and the nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of ring-fencing the investments set aside for such liabilities.

68. The Board remains concerned that where end-of-service and post-retirement liabilities are not supported by an approved funding plan, there is a risk that UNEP might not be in a financial position to fully meet its obligations with regard to those liabilities as and when they become due.

69. **The Board reiterates its previous recommendation that UNEP set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly. The Board recognizes that UNEP will need to seek guidance from United Nations Headquarters on this matter.**

8. Bank accounts, cash and investments

Unrealized currency exchange losses

70. The Board found that UNEP had sustained an unrealized exchange rate loss of $13.8 million on its euro investment pool balances in the period between 1 January 2010 and 31 December 2011, based on the United Nations conversion rates as at the end of the biennium. The Board also found that the accounting treatment and the disclosure of the unrealized loss in UNEP financial statements were inadequate. UNEP agreed with the Board and worked with the United Nations Office at Nairobi to revise its accounting entries and produce more adequate disclosures, which are reflected in statement I and on schedule 9.1 of the financial statements. The Board notes that the unrealized losses have been incurred on euro holdings that significantly exceed UNEP requirements and that it is therefore likely that the exchange rate losses will crystallize in 2012 and reduce the funds available to UNEP.

71. The Board examined the circumstances that led to the retention of the large cash balance in euros (145 million euros as at 31 December 2011). The Board noted that rule 104.6 of the Financial Regulations and Rules of the United Nations, which states that "officials responsible for the operation of United Nations bank accounts or for holding United Nations cash or negotiable instruments are not authorized to exchange one currency for another, except to the minimum extent necessary for the transaction of official business", had been interpreted by UNEP to mean that funds should be retained in the currency in which they were received unless there was a need to exchange the funds for the purpose of funding projects. The Board also found instances where costs incurred in euros had been met by the exchange of United States dollar balances for euros instead of being met from the euro-denominated funds that were readily available.

72. The Board also found a lack of clarity regarding the respective responsibilities of UNEP, the United Nations Office at Nairobi and United Nations Headquarters for managing currency fluctuation risks. The Board considers that United Nations Headquarters provided a treasury management function to UNEP with regard to cash

investment pools and that it should have been able to identify the downward trend of the value of the euro balances in relation to the United States dollar, but it considers that UNEP is the owner of the cash and through its Office for Operations could have maintained oversight of the United States dollar values of its large balances held in other currencies. The Board noted that both in the United Nations Office at Nairobi and in UNEP no official had been specifically tasked with the management of risks associated with exchange rate fluctuations.

73. The United Nations Office at Nairobi, which is responsible for providing the treasury function for UNEP, is introducing measures to ensure that the unrealized losses on the euro cash pools of UNEP do not worsen, and to reverse some of the unrealized losses through the active management of the conversion of euro balances to United States dollar. The Board understands that United Nations Headquarters is considering a range of options for the management of the exchange risks on its cash balances.

74. **UNEP agreed with the Board's recommendation that UNEP and the United Nations Office at Nairobi each assign an appropriate individual to monitor the impact of exchange rate fluctuations on its cash balances, as translated into United States dollars, and to alert senior management to any action needed to avoid losses.**

75. UNEP stated that the United Nations Office at Nairobi had already assigned a senior member of staff to continually monitor and report on cash balances, including the effects of currency fluctuations.

76. **The Board also recommends that UNEP, in liaison with the United Nations Office at Nairobi, seek guidance and clarification from United Nations Headquarters on the management of currency exchange risk on all large non-United States dollar balances within its investment pool.**

Cash advances held by partners as payments in advance

77. The Board found that, of the total balance of $83.5 million shown as receivable from third parties in the UNEP financial statements (statement II and note 8 to the financial statements), $80 million represented cash balances advanced to implementing partners. Of this sum, $55 million had been paid out to other United Nations agencies and $16 million to Governments. The comparative balances of payments made in advance to implementing partners in previous bienniums were $62 million as at 31 December 2009 and $73 million as at 31 December 2007.

78. The Board recognizes that UNEP needs to provide advance funding to its partners, but the Board previously identified scope for improvement in its cash management. The Board notes that limited progress has been made in this area. Furthermore, from its work at UNEP posted offices the Board identified an instance where funds had been paid out and remained unused and in the possession of the implementing partner two years after the associated project should have commenced.

79. **UNEP agreed with the Board's recommendation that UNEP review all cash balances paid out to its implementing partners, and recover all sums that are not due to be expended within a reasonable period and, at most, a six-month period.**

80. **UNEP also agreed with the Board's recommendation that UNEP only make payments to its implementing partners when it has sufficient evidence that the funds are required for the immediate settlement of project costs and that it recall those funds whenever projects are subsequently subject to delay.**

Unsupported bank account balances

81. The Board found that a number of the bank balances recorded on UNEP ledgers no longer existed (see table II.4). The Board was informed that the unsupported bank balances were old reconciling items which had been carried forward since 2005. The Board also understands that the United Nations Office at Nairobi is reviewing those balances and is working with UNEP to reconcile and clear them by the end of 2012.

Table II.4

Unsupported bank accounts

Account No.	*Bank account*	*Value as per cash book*
Environment programme		
1611	Imprest Advance/Replenishment	750 459.15
General Trust Fund		
1611	Imprest Advance/Replenishment	444 760.25
1611	Imprest Advance/Replenishment	39 690.24
Total		**1.2 million**

Source: UNEP general ledgers.
Note: Balances below $6,000 were not investigated.

82. The Board considers that unsupported items within the ledgers of UNEP can cast doubt on the integrity of the accounting system, especially where they are carried forward year to year without resolution.

83. **UNEP agreed with the Board's recommendation that UNEP and the United Nations Office at Nairobi investigate all unsupported balances within its ledgers and cleanse the ledgers through appropriate write-offs.**

9. Non-expendable property

Security of attractive assets

84. As at 31 December 2011, UNEP held some $11.2 million of non-expendable property (recorded at cost). The Board identified scope for improvement in the management of assets and asset records at UNEP headquarters in Nairobi and at outposted offices. In particular, the Board is aware that over 76 laptops were lost to theft from UNEP premises during the biennium.

85. **UNEP agreed with the Board's recommendation that UNEP, in liaison with the United Nations Office at Nairobi, review asset-security arrangements at the Nairobi duty station and implement procedures to improve the security of its valuable and attractive assets.**

86. UNEP has stated that enhanced security measures have been established at the Nairobi facilities, including the installation of CCTV, improved building access control and installation of locks on specific laptops. UNEP has stated also that asset security is now a regular feature of discussions among the security sections of United Nations agencies located in the Gigiri complex.

Emphasis of matter in 2008-2009

87. In the course of its audit of the 2008-2009 financial statements, the Board was unable to obtain sufficient audit evidence to corroborate a write-off of $8 million by UNEP as a downward revision of the total value of its asset register. This led to the inclusion of an emphasis of matter in the Board's previous report (A/65/5/Add.6), to highlight the write-off in asset values to the reader of the accounts.

88. From the Board's checks on non-expendable properties during the course of its interim audits and field visits, it noted issues concerning the accuracy and valuation of assets and the completeness of asset registers. The Board recommended that UNEP conduct a thorough asset count before the end of the biennium. This review identified the need for an upward adjustment of $1.197 million to the asset balances of UNEP at the end of the biennium, which was reflected in the accounts as at 31 December 2011. The Board was content with the evidence provided by UNEP, including consolidated reports arising from asset counts undertaken at the end of the biennium across the UNEP country office network and at its headquarters, to prove that the $1.197 million comprised valid assets that had been excluded from its asset registers during the biennium, and that no emphasis of matter is needed in the short-form report.

89. The Board notes, however, that the adjustments made at the end of the biennium 2010-2011 and at the end of the previous biennium represent significant fluctuations in the recorded cost of the assets of UNEP, which indicates scope for further improvement in the completeness and accuracy of the asset records. In essence, there should be controls in place to ensure that the asset registers are accurate at all times; there should be no need for a global asset count to determine the true level of non-expendable property.

90. **UNEP agreed with the Board's recommendation that UNEP, with the input of the United Nations Office at Nairobi, strengthen the controls around the capture and recording of its assets and address the underlying reasons for the omission of assets from asset registers, identified during 2010-2011.**

10. Risk management

91. While it is aware of ad hoc reporting on risk, for example, in relation to individual UNEP projects, the Board notes that UNEP does not have a formal and systematic organization-wide approach to risk management that includes a corporate risk register. In April 2012, the UNEP Executive Director approved a policy document on an enterprise risk management approach for UNEP for discussion and implementation by senior management. The policy document references United Nations Headquarters-led developments on enterprise risk management, notes the benefits that can be derived from effective enterprise risk management, and sets out the key steps that need to be taken to fully implement enterprise risk management within UNEP.

92. Besides the fact that it is fundamental to any well-run organization, the Board considers that there are strong imperatives for introducing structured risk management in UNEP. In particular, there is a need for consistent assessment, escalation and mitigation of diverse risks across a globally dispersed organization, where there are specific risks to staff and delivery. The reliance of UNEP on voluntary funding also leaves it exposed to reputation and funding risk in the event of any significant failure.

93. **UNEP agreed with the Board's recommendation that UNEP proceed with the development and implementation of enterprise risk management and develop, during 2012, a specific plan for implementation, including timescales and the allocation of responsibilities for implementation to individuals.**

94. UNEP stated, at the time of the present report, that initial proposals had already been reviewed by the senior management team in May 2012 and a revised version would be ready before the end of 2012 for approval and implementation.

11. Procurement

95. During the biennium 2010-2011, the Board reviewed the procurement function of the United Nations Office at Nairobi, with a specific focus on the role of its procurement section. During the review, however, the Board identified a number of issues that were directly relevant to UNEP.

96. The Board notes that OIOS and the Office of Legal Affairs have expressed concern that the delegated authority granted to the United Nations Office at Nairobi may not provide the basis for procurement on behalf of UNEP under the current financial rules and regulations. The Board notes also that UNEP, along with the United Nations Office at Nairobi and the United Nations Human Settlements Programme (UN-Habitat) (for which the United Nations Office at Nairobi also provides procurement services), has engaged with the Department of Management of the Secretariat in an effort to resolve this issue. The Board has included a recommendation in its report in volume I (A/67/5 (Vol. I)), that the Department of Management urgently clarify the issue.

97. The Board notes a lack of clarity and shared understanding between UNEP and the United Nations Office at Nairobi about the procurement process, including the terms of their respective procurement authority. This creates risks of delay and non-compliance with procurement rules. The Board also noted that UNEP and the United Nations Office at Nairobi have organized a number of training sessions to address this gap.

98. The Board acknowledges that it will take time to train all staff who might make requisitions, and that it will be important to determine the priority order for those staff who require the training, perhaps on the basis of the number or value of the requisitions they submit, or where they are likely to be involved at the key stages in the procurement process (for example, preparing terms of reference, or participating in technical evaluation panels).

99. **UNEP agreed with the Board's recommendation that UNEP determine, in advance of the next procurement training sessions, which staff should be trained first, and engage with the United Nations Office at Nairobi to secure the necessary training.**

100. Departures from normal procedures (waivers and ex post facto approvals) should only be used when fully justified. The Board noted one UNEP-related case which had been awarded on an ex post facto basis and involved an additional payment, over and above the original contract value, for printing the UNEP yearbook. The Board found that UNEP had authorized the payment several months before it notified the Procurement Section of the United Nations Office at Nairobi and, although the payment was likely to have been approved, this circumvented rules and procedures designed to ensure that all payments are necessary and appropriate. The non-compliance reflects lack of awareness and training and an absence of effective oversight by UNEP.

101. While no significant procurement irregularities or errors were identified from its sample testing, the Board noted that the log of instances where waivers were being used was incomplete. In an interim recommendation, the Board proposed that UNEP strengthen its controls over waivers and maintain a complete log and audit trail. The Board noted that in March 2012 the Procurement Section of United Nations Office at Nairobi provided UNEP with the data and system functionality to monitor the use of both ex post facto cases and waivers.

102. **UNEP agreed with the Board's recommendation that UNEP (a) require requisitioners to channel through the United Nations Office at Nairobi Procurement Section all procurement requirements that fall under the delegated procurement authority of the United Nations Office at Nairobi, so that only the United Nations Office at Nairobi Procurement Section would create commitments to vendors, in accordance with existing rules; (b) review regularly, and at least quarterly, its use of waivers and ex post facto approvals, to assure itself that the use is justified.**

12. Progress towards the implementation of the International Public Sector Accounting Standards

103. The transition to IPSAS of the UNEP financial statements is being led mainly by United Nations Office at Nairobi, as the provider of accounting and other financial services to United Nations bodies in the Nairobi duty station, with significant investment of time, effort and resources also by UNEP and UN-Habitat. From its review of the progress made by the United Nations Office at Nairobi during the biennium 2010-2011, the Board determined that, overall, the transition process was being adequately managed. The Board noted that a United Nations Nairobi IPSAS implementation team had been formed with responsibility (a) for supporting the IPSAS implementation activities relating to the United Nations financial statements in volume I, (b) for leading the IPSAS implementation activities for the United Nations Office at Nairobi, UNEP and UN-Habitat, and (c) for undertaking consideration of a framework of policies, plans and guidance issued by the United Nations IPSAS implementation team. The Nairobi IPSAS team includes executive sponsors, accountable officials and focus groups, representing the United Nations Office at Nairobi, UNEP and UN-Habitat, as well as a coordinator. The terms of reference detail the responsibilities of each official.

104. The United Nations IPSAS implementation team based at Headquarters visited the Nairobi offices in October 2011 to undertake a pre-implementation exercise to determine their IPSAS preparedness. The team concluded that the Nairobi duty station had a medium level of IPSAS risk. In its report, it identified several

technical and operational issues and risks, and made recommendations on how these could be addressed. An "action plan and timeline for 2012" was also devised.

105. Although the Board noted the improved clarity achieved through the pre-implementation exercise, it identified the need for UNEP to take further action towards the successful implementation of IPSAS in partnership with the United Nations Office at Nairobi and other key stakeholders at the Nairobi duty station. In particular, although the Board saw some evidence of a structured approach towards the implementation of IPSAS, there was no evidence as yet of a comprehensive and timed IPSAS delivery plan, with the risks to delivery clearly set out along with measures to mitigate those risks.

106. Such a plan would overlay the findings and recommendations of the United Nations IPSAS implementation team and include as key milestones several of the tasks noted by the United Nations team, covering (a) the completion of a new accounting policy framework under IPSAS, (b) the development of draft model financial statements, (c) the audit of opening balances translated into IPSAS, (d) preparations for a dry run audit with full IPSAS-compliant accounting data, and (e) a plan for managing the delivery of the full benefits expected from IPSAS.

107. **UNEP agreed with the Board's recommendation that UNEP and the United Nations Office at Nairobi, before the end of 2012, agree on a detailed and costed delivery plan that covers all aspects of IPSAS implementation and sets out the key milestones to be achieved from the present time until the delivery of the first set of IPSAS-compliant financial statements in 2014.**

108. UNEP stated that it was working on a plan with the United Nations Office at Nairobi and UN-Habitat and that a joint working group had been established to achieve this task.

109. The Board notes a lack of clarity on how the implementation of IPSAS at UNEP is to be funded. It has been proposed that on behalf of UNEP, the United Nations Office at Nairobi is to find savings from current expenditure plans and fund the implementation from those savings. The Board considers that this approach may be unrealistic, as it depends entirely on whether there is scope for savings within the budgets already in place, and it does not take account of other business transformation work, such as work in support of the new enterprise resource planning system. The Board understands that where some savings have been found by the United Nations Office at Nairobi, UNEP is yet to approve the use of those savings for IPSAS implementation or offer alternative funds.

110. **UNEP agreed with the Board's recommendation that, in liaison with the United Nations Office at Nairobi, it clarify its plan for funding its implementation of IPSAS before the end of 2012.**

111. UNEP has stated that it is currently recruiting two professional finance staff members to be dedicated to IPSAS transition and implementation.

13. Strategic programme management and performance reporting

Programme development

112. It is important that an organization align its activities with its strategy, to facilitate a shared understanding of organizational purpose. Failure to align activities can result in staff focusing efforts on activities that are not core to the

organization's aims. The Board reviewed the UNEP 2010-2011 programme of work, the two most recent programme performance reports, and the associated performance information, in its programme information and management system, to determine to what extent they support effective reporting on the UNEP strategy.

113. The Board found that the 2010-2011 programme of work appropriately reflected the six thematic priorities of UNEP, but identified deficiencies in alignment of programme outputs and the associated indicators of achievement and expected accomplishments. Of 109 programme outputs in the programme of work, 14 were not linked either to the indicators of achievement or to the expected accomplishment (see table II.5).

Table II.5

Examples of programme outputs not clearly linked to indicators of achievement or expected accomplishment

Programme output	*Indicator of achievement*	*Expected accomplishment*	*Board's comments*
Advisory and support services provided to major groups to demonstrate how climate change can be integrated into their operations.	Increased number of visits to and downloads from UNEP web pages for information on its work in the area of climate change.	Country policymakers and negotiators, civil society and the private sector have access to relevant climate change science and information for decision-making.	Output does not link to the indicator of achievement. The number of visits and downloads from the websites demonstrates Internet traffic and does not contain any reference to advisory and support services provided to major groups on how climate change can be integrated into their operations.
Financial institutions adopt best climate, environmental and sustainability practices.	Increased investment in clean energy projects, including as a share of total investment in the energy sector as a result of UNEP intervention.	Improved technologies are deployed and obsolescent technologies phased out, financed through private and public sources, including the clean development mechanism and joint implementation mechanism.	Output does not link to expected accomplishment; it contains no reference to "improved technologies".

114. UNEP agreed with the Board's recommendation that, when finalizing its outputs for the 2014-2017 medium-term strategy and related programme of work, it define each project's expected contribution to its strategic outputs, outcomes and expected accomplishments and establish performance indicators that can be aggregated to provide an overall picture of programme performance. Where an individual project contributes to more than one expected accomplishment, the respective contribution to each expected accomplishment should be defined.

115. UNEP states that the 2014-2017 medium-term strategy has been drafted in consultation with Member States and other stakeholders and includes the expected accomplishments. The 2014-2015 programme of work is currently under

preparation. The Board will pursue full implementation of this recommendation in the biennium 2012-2013.

Project performance information

116. UNEP delivers its programme of work through projects, 153 of which were active as at 31 December 2011. In 2008, UNEP began considering ways to improve its performance reporting arrangements. In August 2009, it commenced formal development of its programme information and management system, designed to bring together information from existing systems to provide a complete picture of organizational performance and to enable UNEP to monitor progress against its 2010-2011 programme of work and the medium-term strategy. The system was to be implemented in phases and the core system went live in mid-2011.

117. UNEP estimated the cost of implementing the programme information and management system, as at 31 December 2011, to be $423,000, against an indicative cost range of $200,000 to $600,000. UNEP informed the Board that it expected to spend a further $65,000 on enhancements in 2012.

118. The Board notes that the programme information and management system is delivering benefits, such as improved transparency, and that it has the potential to be used as a comprehensive programme and project management and reporting tool. While the introduction of the programme information and management system demonstrates the Programme's intentions to improve its performance reporting, our findings on performance reporting indicate that there is room for further improvement. The Board notes that UNEP views the system as being incremental and that it plans further improvements.

119. During its visits to UNEP outposted offices, the Board undertook a high-level review of project monitoring and reporting arrangements, specifically, a review of whether the required operational monitoring reports had been submitted in line with the project-monitoring agreements. The Board tested a total of 35 projects that had been implemented to support the core mandate of UNEP and found that, overall, records were well maintained and required processes had been followed.

Project development

120. UNEP specifies the information it requires project managers to include in any project proposal. The information includes baselines, targets, data sources and methods. In July 2011, the Evaluation Unit of UNEP issued a report on the Programme's 2010-2011 programme of work, highlighting concerns about the reliability of the information reported and the absence of data verification procedures. It also indicated that most project designs lack adequate baselines, that milestones were missing and that data-collection methods had not been specified. The weaknesses identified were considered systemic. The Board similarly found variation in the extent to which project proposals contained adequate baselines, targets, data sources and methods of collection (see table II.6). Without relevant information on how project performance is to be assessed, UNEP effectively cannot monitor project progress.

Table II.6

Assessment of a sample of projects against information requirements

	Findings		
Information requirement	*15-P1: Scientific support package for global and national climate change information*	*15-P2: Climate negotiators support package*	*15-P3: Climate communication, education and outreach package*
Is a clear, evidence-based baseline included?	No	No	Partially
Are targets clearly articulated?	No	Yes	Partially
Are the sources of performance data clearly articulated?	Partially	Partially	Partially
Is the method of data collection clearly specified?	Partially	No	Partially

Source: United Nations Board of Auditors.

121. **UNEP agreed with the Board's recommendation that it articulate clearly in future project proposals the baselines, targets, data sources and methods to be used to measure progress towards intended results.**

122. UNEP stated that it was currently reviewing the format for project planning, and would require that baselines be included. It would also ensure that the other requirements for project planning (such as targets and data sources) are incorporated into project plans, as currently required, before submission to the project review committee for approval.

Performance reporting

123. UNEP prepares six-monthly programme performance reports, intended to enable senior management, the UNEP Committee of Permanent Representatives, and the Governing Council to monitor progress. The reports cover budget performance, including analysis of planned budget, allocations and expenditure, along with explanations for variances, and a rating system to identify whether projects and programme outputs are on track.

124. Performance data for the June 2011 programme performance report was extracted directly from the programme information and management system but performance data for the December 2011 programme performance report was provided by programme delivery teams. The Board noted discrepancies between the December 2011 programme performance report and programme information and management system, in 13 of 21 indicators, with the reported performance generally being more favourable than the programme information and management system assessment. This means that either the performance reported to the Governing Council was overstated, which limited the Council's ability to identify and take action to address underperformance, or there were errors or deficiencies in the programme information and management system, which limited its usefulness for performance reporting.

125. The programme performance reports do not include details of the reasons for "insufficiently achieved" projects and performance. This limits management's ability to address any problems and the Board noted that management did not specify what actions should be taken to address underperformance. Additionally, there was no process in place to track underperforming projects to determine if effective mitigating actions were being taken. The Board did not identify any instances where the absence of proper review and tracking had led to outcomes not being achieved; however, without such a system of review, there is a risk that management will not intervene and take corrective action in sufficient time to address areas of underperformance.

126. In response to an interim Board recommendation, UNEP has commenced development of a "project-at-risk" automated notification system to flag projects that need management attention. However, the system has yet to be implemented.

127. **UNEP agreed with the Board's recommendation that (a) UNEP project managers notify senior management of all projects that are not progressing well in terms of time, cost and/or quality, the reasons for the problems, and actions proposed to address them; and (b) senior management review progress to assess whether the proposed actions have been addressed and require that such action be reported as part of the programme performance reports.**

128. To effectively manage performance, decision makers must have access to accurate and up-to-date performance information which should be reviewed regularly, at least quarterly, but more often if required by the business criticality of the activities under review. The Board reviewed the minutes of meetings of the UNEP senior management team in the biennium 2010-2011 to determine how often it had discussed programme performance. The Board found that the senior management team had discussed programme performance only once in the biennium.

129. **UNEP agreed with the Board's recommendation that its senior management team review performance and progress against its strategic plan, at least every six months, and that it document its consideration, including any actions to be taken. UNEP had begun to implement this recommendation at the time of the Board's final audit.**

130. UNEP stated that senior management had now scheduled a twice yearly discussion of programme performance against the strategic plan.

131. The Board notes that its findings have implications for the implementation of results-based management at UNEP. In its medium-term strategy, UNEP indicates its intention to fully implement results-based management by the end of 2013. However, without a clear alignment between UNEP programme outputs and its strategy, and regular consideration of reliable performance information, UNEP will be unable to fully embed results-based management in its operations.

Evaluation

132. Peers from the United Nation Evaluation Group carried out a review of the UNEP Evaluation Office during the last quarter of 2011. The peers concluded that evaluations were conducted in an independent manner and that processes were transparent and robust. However, the peers considered there was scope to enhance the impact of evaluations and improve the evaluation culture in UNEP.

133. It is critical that learning identified through evaluations is shared and action taken to minimize problems and promote good practice in future activities. Each biennium, the Evaluation Office prepares a "synthesis report", which summarizes the findings of evaluations carried out in the biennium and is made available on the UNEP intranet along with a lessons-learned synthesis tool. The Board compared the 2007, 2008-2009 and 2010-2011 synthesis reports and found that similar problems appeared in all three reports, including overly ambitious objectives, poor planning, and insufficient budgets for monitoring and evaluation. The recurrence of these problems indicates that UNEP is not learning the lessons; and the Board noted that 10 per cent of projects evaluated in 2010-2011 were assessed as unsatisfactory.

134. **UNEP agreed with the Board's recommendation that, before the end of 2012, it determine the best way to embed learning across portfolios, allocating to the relevant sections responsibility for actions to address the areas for improvement.**

D. Disclosures by management

1. Write-off of losses of cash, receivables and property

135. The administration informed the Board that, in accordance with financial rule 106.8, losses of cash and receivables amounting to $117,620 had been written off during 2009-2010. In accordance with financial rule 106.9, losses amounting to $132,939 had also been written off in respect of non-expendable property.

2. Ex gratia payments

136. The administration reported no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

137. In accordance with paragraph 6 (c) (i) of the annex to the Financial Regulations and Rules of the United Nations, the Board examined the cases of fraud and presumptive fraud that had taken place during the biennium.

138. Five cases were reported in the biennium. OIOS found no evidence of fraud in two cases. In one of the remaining three cases a staff member of the Mediterranean Action Plan office issued letters of payment and obtained payments from the bank ostensibly to pass these payments on to vendors. It was subsequently discovered that some of the vendors had not been paid. OIOS estimated that the staff member had defrauded UNEP of up to 13,000 euros. A request for disciplinary action has been made to the Office of Human Resources Management, along with a request to initiate recovery of the misappropriated funds.

139. In one case a staff member caused the organization to pay for various private costs of $5,759. He was issued with a letter of reprimand from the Executive Director and he has since reimbursed some of the monies he received. The fifth case involved a possible duplication of charges to UNEP by an implementing partner ($1,690 of expenditure on a workshop), and it is currently under review by UNEP and OIOS.

E. Acknowledgement

140. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director of the Fund of the United Nations Environment Programme, and the staff members of UNEP.

(*Signed*) Liu Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Amyas Morse
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Terence Nombembe
Auditor-General of South Africa

30 June 2012

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2009

Summary of recommendation	*Paragraph reference in the previous report (A/65/5/Add.6, chap. II)*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
Review the service agreement with the United Nations Office at Nairobi	14	2006-2007	X			
Take advantage of the installation of the new enterprise resource planning system to set up indicators for the regular monitoring of the cash situation	29	2008-2009		X		
Continue to prepare for the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and specify its needs for the migration of the Crystal software to the future enterprise resource planning system of the Secretariat (Umoja)	38	2006-2007		X		
Revise the title of its financial statements and the notes thereto to reflect that their scope is limited to voluntarily funded activities; and consider preparing financial statements that include the activities funded from the regular budget of the United Nations	47	2006-2007	X			
Clarify the legal situation of the Multilateral Fund and decide accordingly on the consolidation of its financial statements into the financial statements of UNEP	52	2008-2009	X			
Re-examine the extent of its control over the multilateral environmental agreement funds with a view to assessing the appropriateness of their inclusion in its financial statements	59	2008-2009	X			
Close the Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention	65	2008-2009		X		
Prompt the parties to the multilateral environmental agreements to authorize the closing of inactive trust funds	67	2008-2009	X			
In liaison with the United Nations Office at Nairobi, extend the use of the travel database to include all types of travel and for all persons submitting travel claims; and continue to improve the rate of submission of travel claims within the deadlines	73	2004-2005	X			

Summary of recommendation	*Paragraph reference in the previous report (A/65/5/Add.6, chap. II)*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
In liaison with the United Nations Office at Nairobi, ensure that the review of access rights includes the detection of users who have left the organization or changed functions and that no employee has more than one identifier for logging into the IMIS data management system	**79**	**2008-2009**	**X**			
In collaboration with the United Nations Headquarters Administration, revise its accounting treatment of education grants	**88**	**2008-2009**			**X**	
Include more details on the ageing of contributions receivable disclosed in its financial statements	**95**	**2008-2009**	**X**			
Disclose in a note to the financial statements the policy regarding provisions for delays in the collection of the outstanding contributions	**102**	**2008-2009**	**X**			
Ensure that all obligations cancelled before the end of the year are no longer recorded as unliquidated obligations	**107**	**2008-2009**	**X**			
Set up specific funding to balance its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly	**112**	**2006-2007**		**X**		
Consider a review of its policy for the valuation of leave liability in its implementation of IPSAS	**129**	**2008-2009**			**X**	
Ensure that all indicators of achievement are supported by documentary evidence	**134**	**2008-2009**		**X**		
In collaboration with the United Nations Office at Nairobi, establish a uniform system of accounting treatment for projects implemented by external partners, or justify the need for different accounting methods	**141**	**2008-2009**	**X**			
In coordination with the United Nations Office at Nairobi, periodically review the procurement parameters in IMIS to ensure that they reflect the thresholds set in the delegations of authority for procurement and contract management	**147**	**2008-2009**	**X**			
In coordination with the United Nations Office at Nairobi, formally register the vendors of the database before awarding a contract; declare the individual database vendors as active; and carry out a review of the vendor database to designate unused vendors as inactive	**153**	**2008-2009**	**X**			

Summary of recommendation	*Paragraph reference in the previous report (A/65/5/Add.6, chap. II)*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
In coordination with the United Nations Office at Nairobi add a required field in the IMIS system so that the relevant contract number can be entered for orders for goods and services associated with a particular contract; and keep the contract management database up to date	156	2008-2009		X		
Extend the inventory management system to outposted and liaison offices	163	2008-2009		X		
In coordination with the United Nations Office at Nairobi, program the Microsoft Access tool for preparing the financial statements in order to eliminate any residual manual operations; study the possibility of making IMIS process all funds; and refine the description of the checks and controls	173	2006-2007	X			
In coordination with the United Nations Office at Nairobi, take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and strengthen internal control over journal voucher entries and the access rights to make them	177	2008-2009		X		
Improve the rate of completion of OIOS planned audits of UNEP	179	2008-2009	X			
Obtain the reimbursement of the amount of $214,058 overpaid to an implementing agency in Africa or consider its write-off	188	2008-2009	X			
Total	**26**		**16**	**8**	**2**	**0**
Percentage	**100**		**61**	**31**	**8**	**0**

Chapter III
Certification of the financial statements

31 March 2012

The financial statements of the United Nations Environment Programme for the biennium ended 31 December 2011 have been prepared in accordance with rule 106.10 of the Financial Regulations and Rules of the United Nations and rule 213.3 of the Financial Rules of the Fund of the United Nations Environment Programme.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by the United Nations Environment Programme during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to the United Nations Environment Programme. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of the United Nations Environment Programme for the biennium ended 31 December 2011 are correct.

(*Signed*) Christopher **Kirkcaldy**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV

Financial report for the biennium ended 31 December 2011

Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts of the United Nations Environment Programme including the Environment Fund, associated trust funds and the related accounts for the biennium ended 31 December 2011. The accounts consist of 11 statements supported by three schedules and notes to the financial statements. In accordance with financial rule 106.10, these accounts were transmitted to the Board of Auditors on 31 March 2012.

2. Comparative figures for the biennium ended 31 December 2009, as appropriate, have been reflected in the financial statements. These have been restated where applicable.

3. In conformity with United Nations Headquarters reporting requirements:

(a) The inter-fund balances are not offset;

(b) The accounts receivable and accounts payable are reported without offset;

(c) Accrued liabilities for end-of-service benefits, comprising after-service health insurance liabilities, unused annual leave and repatriation benefits are presented as liabilities in the accounts.

4. Effective with biennium 2010-2011, the financial results of all trust funds are now summarized on statements I to III and categorized under statements V to IX.

5. Regular budget expenditure insofar as it relates to the United Nations Environment Programme, is included on the face of the financial statements and in the notes thereto.

6. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

Financial overview

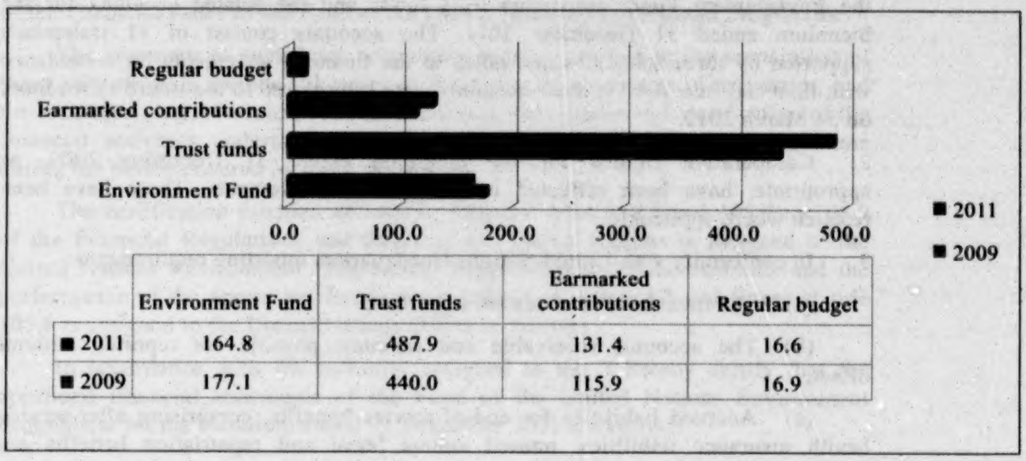
All funds

7. Statements I to III show the UNEP all funds summary financial position for the biennium ended 31 December 2011 (with the exception of the Multilateral Fund, which is reported in statement XI), compared with the biennium ended 31 December 2009.

8. Total income increased by $50.8 million (6.8 per cent) from $749.9 million to $800.7 million.

9. Figure IV.I shows the income of UNEP by major funding source categories for the biennium ended 31 December 2011 compared with the biennium ended 31 December 2009.[7]

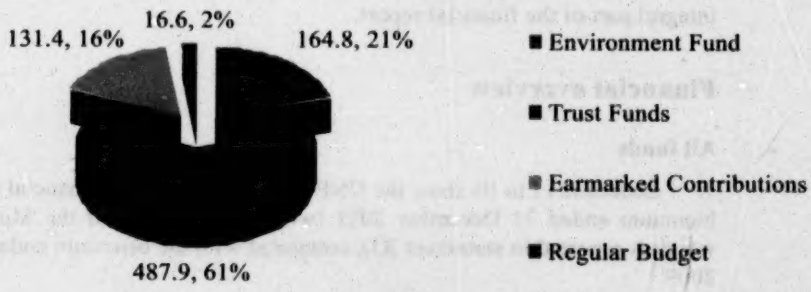
Figure IV.I
UNEP income by major funding sources
(Millions of United States dollars)



	Environment Fund	Trust funds	Earmarked contributions	Regular budget
■ 2011	164.8	487.9	131.4	16.6
■ 2009	177.1	440.0	115.9	16.9

10. Figure IV.II shows the income of UNEP for the biennium ended 31 December 2011 by funding source categories.

Figure IV.II
UNEP income by major funding sources
(Millions of United States dollars and percentage)



11. Figure IV.III shows the income of UNEP for the biennium ended 31 December 2011 by type of support.

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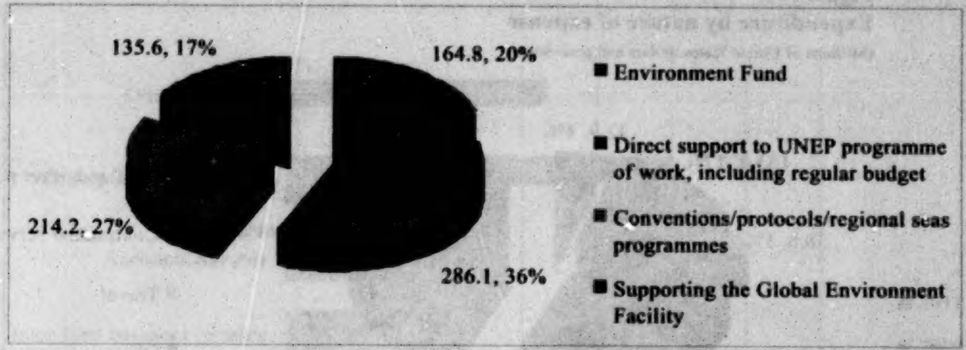
[7] **For the purposes of the table presentations, trust funds include all trust funds and exclude earmarked contributions and the programme support account.**

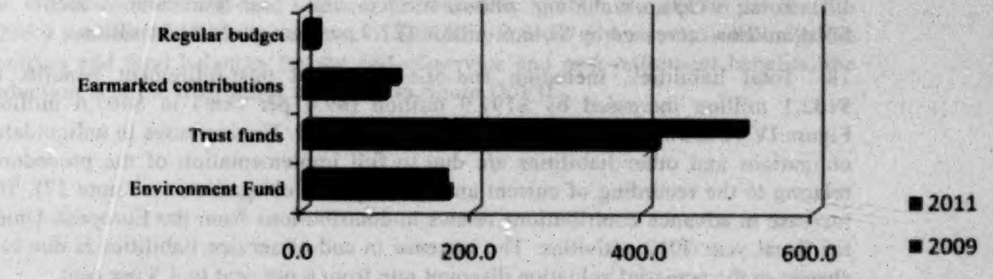
Figure IV.III
UNEP income by type of support
(Millions of United States dollars and percentage)



12. Total expenditure increased by $109.6 million (15.7 per cent) from $699.6 million to $809.2 million.

13. Figure IV.IV shows a comparison of expenditure by source of funding between the bienniums ended 31 December 2011 and 31 December 2009.

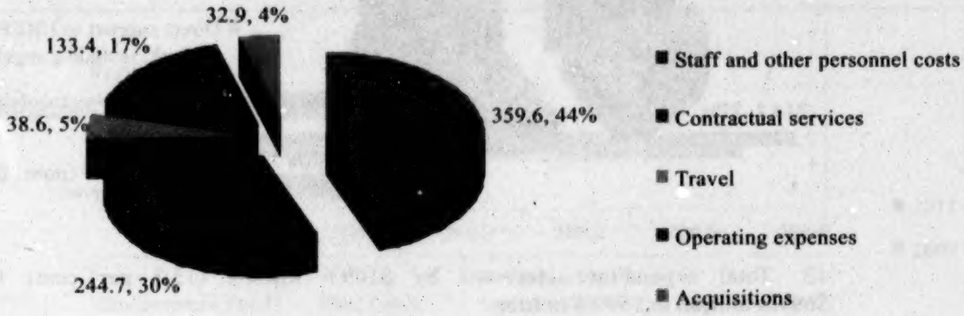
Figure IV.IV
UNEP expenditure by source of funding
(Millions of United States dollars)



	Environment Fund	Trust funds	Earmarked contributions	Regular budget
■2011	164.8	517.5	110.3	16.6
■2009	170.7	414.4	97.6	16.9

14. Expenditure for the biennium ended 31 December 2011 by nature of expense is shown in figure IV.V.

Figure IV.V
Expenditure by nature of expense
(Millions of United States dollars and percentage)



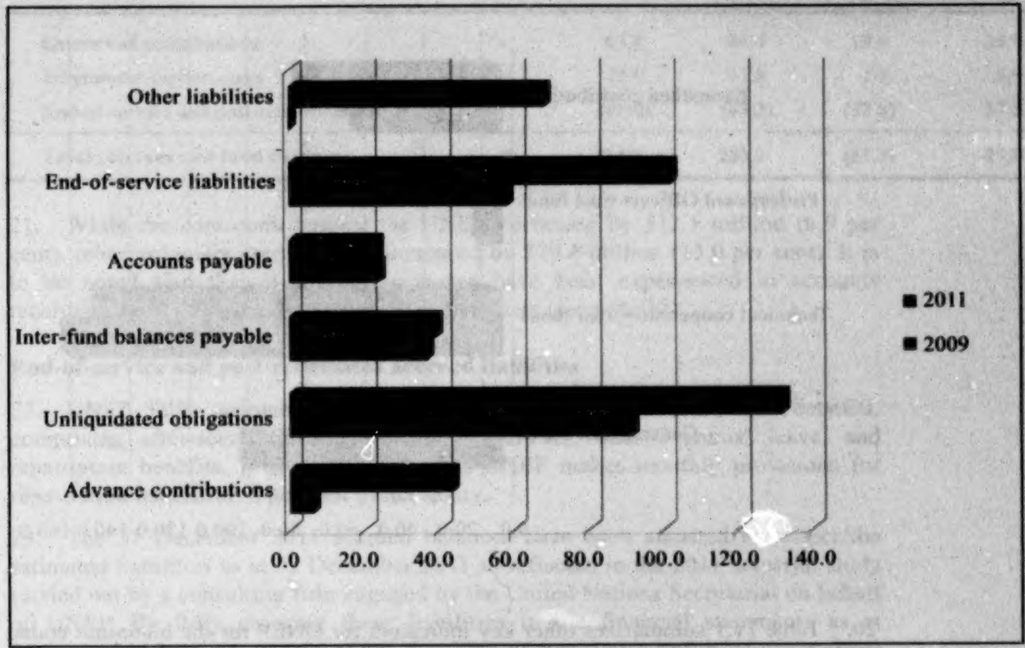
15. The excess of expenditure over income before adjustments was $8.5 million as compared with an excess of income over expenditure of $50.3 million for the biennium ended 31 December 2009.

16. The cash position (cash and term deposits, cash pools) increased by $50.6 million (13.4 per cent) to $427.2 million.

17. Total assets, including end-of-service and post-retirement benefits of $21.0 million increased by $140.6 million (27.9 per cent) to $644.5 million.

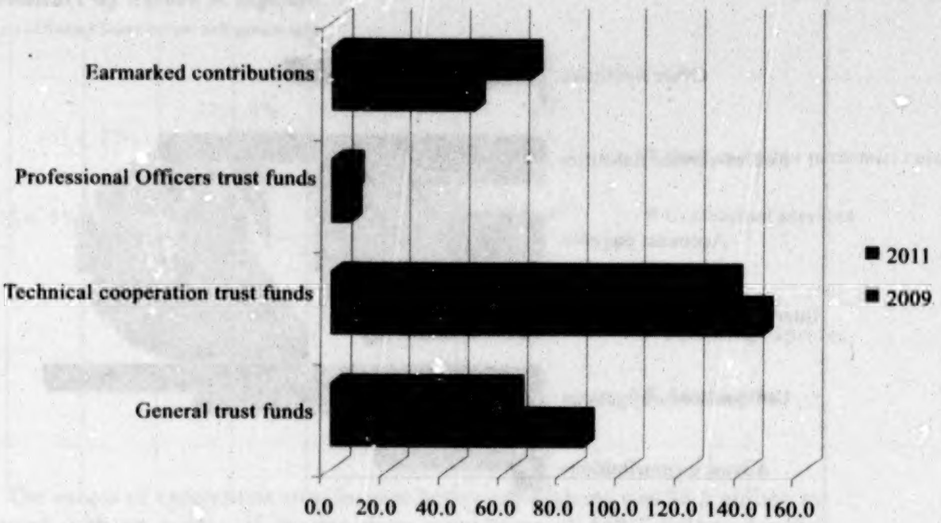
18. Total liabilities, including end-of-service and post-retirement benefits of $102.1 million increased by $191.9 million (89.0 per cent) to $407.6 million. Figure IV.VI shows that the increases are broad-based. The increases in unliquidated obligations and other liabilities are due to full implementation of the procedures relating to the recording of current and future years' obligations (see note 17). The increase in advance contributions relates to contributions from the European Union for fiscal year 2012 activities. The increase in end-of-service liabilities is due to a change in the actuarial valuation discount rate from 6 per cent to 4.5 per cent.

Figure IV.VI
Total liabilities
(Percentage)



19. Total reserves and fund balances decreased by $51.3 million (17.8 per cent) to $236.9 million. Besides the increase of $37.8 million (87.5 per cent) in the negative reserves and fund balances for the end-of-service and post-retirement benefits, the reduction is in the trust funds as shown in figure IV.VII.

Figure IV.VII
Total reserves and fund balances
(Percentage)



20. Table IV.1 summarizes other key indicators for UNEP for the biennium ended 31 December 2011 compared with the biennium ended 31 December 2009.

Table IV.1
Other key indicators

	Amount (Millions of United States dollars)			
	2011	*2009*	*Increase/ (decrease)*	*Percentage change*
Environment Fund contributions	162.5	174.6	(12.1)	-6.9
Other voluntary contributions	610.2	539.8	70.4	13.0
Total voluntary contributions	**772.7**	**714.4**	**58.3**	**8.2**
Cash, term deposits and cash pools	427.2	376.6	50.6	13.4
Voluntary contributions receivable	21.4	21.0	0.4	2.0
Accounts receivable	83.5	66.9	16.6	24.8
Unliquidated obligations	131.7	91.4	40.3	44.1
End-of-service and post-retirement benefits	102.1	58.1	44.0	75.6
Reserves and fund balances				
Environment Fund	33.3	32.9	0.4	1.2
Trust funds	203.9	238.2	(34.3)	-14.4

	Amount (Millions of United States dollars)			
	2011	*2009*	*Increase/ (decrease)*	*Percentage change*
Earmarked contributions	**67.8**	**48.4**	**19.4**	**39.9**
Programme support costs	**12.9**	**11.8**	**1.1**	**8.9**
End-of-service and post-retirement benefits	**(81.0)**	**(43.2)**	**(37.8)**	**87.5**
Total reserves and fund balances	**236.9**	**288.2**	**(51.3)**	**-17.8**

21. While the core contributions for UNEP decreased by $12.1 million (6.9 per cent), other voluntary contributions increased by $70.4 million (13.0 per cent). It is to be noted also that significant increases have been experienced in accounts receivable (see note 8) and unliquidated obligations (see note 17).

End-of-service and post-retirement accrued liabilities

22. UNEP fully accrues for the end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, unused annual leave, and repatriation benefits. It is to be noted that UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary.

23. The 31 December 2011 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2011 as reflected in the 2011 actuarial study carried out by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. By fully charging these liabilities in the financial statements as at 31 December 2011, an amount of $81.0 million of cumulative unfunded expenditure is being shown under the line "total reserves and fund balances" in statements I and II. Details are disclosed in statement X and note 12 of the notes to the financial statements.

Environment Fund

24. The Governing Council, by its decision 25/13 of 20 February 2009, approved an appropriation of funding resources for the biennium of $156 million for Fund programme activities, $6 million for Fund programme reserve activities and $18 million for the Environment Fund support budget. The total approved programme budget for the biennium 2010-2011 was $180 million.

25. The Executive Director allocated 92.4 per cent ($166.4 million) of the appropriations, of which $1.6 million remained unexpended as at 31 December 2011. The details are shown on table IV.2 below.

Table IV.2

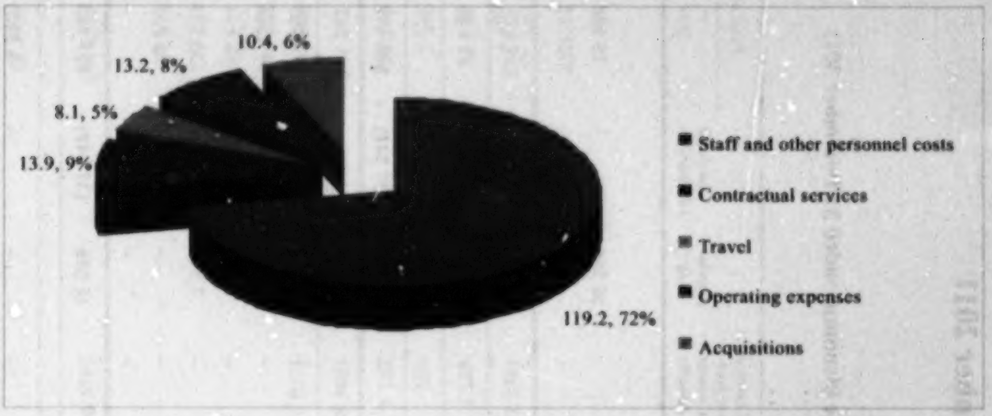
	1 *Appropriations for 2010-2011*	*2* *Allocations issued*	*3* *Expenditure*	*4* *Unexpended appropriations (1-3)*	*5* *Unexpended allocations (2-3)*
Executive direction and management	8 050	7 577	7 648	402	(71)
Programme of work					
Climate change	28 767	27 581	27 426	1 341	155
Disasters and conflicts	10 087	8 399	8 458	1 629	(59)
Ecosystem management	33 987	29 921	29 040	4 947	881
Environmental governance	40 229	37 933	38 160	2 069	(227)
Harmful substances and hazardous waste	17 985	15 466	15 135	2 850	331
Resource efficiency — sustainable consumption and production	24 945	24 932	25 067	(122)	(135)
Total programme of work	**156 000**	**144 232**	**143 286**	**12 714**	**946**
Fund programme reserve	6 000	5 400	5 201	799	199
Subtotal	**162 000**	**149 632**	**148 487**	**13 513**	**1 145**
Programme support					
Resource Mobilization Section	1 728	1 681	1 621	107	60
Quality Assurance Section	3 367	3 096	2 999	368	97
Corporate Services Section	4 855	4 390	4 056	799	334
Subtotal programme support	**9 950**	**9 167**	**8 676**	**1 274**	**491**
Total	**180 000**	**166 377**	**164 811**	**15 189**	**1 566**

26. Expenditure decreased by $5.9 million (3.5 per cent) from $170.7 million as at 31 December 2009 to $164.8 million.

27. Figure IV.VIII shows Environment Fund expenditure for the biennium ended 31 December 2011 by category:

Figure IV.VIII
Environment Fund expenditure by category

(Millions of United States dollars and percentage)



28. Staff and other personnel costs of $119.2 million were within the $120.0 million budget approved by the UNEP Governing Council for the biennium 2010-2011 and represent 66.2 per cent of the total appropriation of $180.0 million.

29. There is an excess of expenditure over income of $[illegible].1 million, before adjustments, compared with an excess of income over expenditure of $6.4 million for the biennium ended 31 December 2009.

30. The cash position (cash and term deposits, cash pools) decreased by $2.1 million (5.6 per cent) to $35.4 million.

31. The fund balance and financial reserve increased by $0.4 million (1.2 per cent) to $33.3 million.

Chapter V

Financial statements for the biennium ended 31 December 2011

Statement I
All funds summary

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Environment Fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme support costs*	*End-of-service and post-retirement benefits*	*Regular budget*	*All funds eliminations*	*Total all funds*	
								2011	*2009 restated*
Income									
Regular budget allocations	–	–	–	–	–	16 566	–	16 566	16 870
Voluntary contributions	162 504	479 703	130 528	–	–	–	–	772 735	714 449
Income from services rendered	–	–	–	37 646	–	–	(36 879)	767	652
Interest income	2 079	4 954	348	417	–	–	–	7 798	12 905
Sale of publications	–	58	–	–	–	–	–	58	164
Miscellaneous income (note 3)	179	1 482	545	1 005	–	–	(462)	2 749	4 855
Total income	**164 762**	**486 197**	**131 421**	**39 068**	–	**16 566**	**(37 341)**	**800 673**	**749 895**
Expenditure									
Staff and other personnel costs	119 186	168 853	31 579	25 982	–	14 006	–	359 606	319 413
Contractual services	13 918	182 482	40 377	7 945	–	–	–	244 722	214 790
Travel	8 063	23 539	6 893	608	–	–	(462)	38 641	35 903
Operating expenses	13 233	91 642[a]	22 967	2 882	–	2 560	–	133 284	106 442
Acquisitions	10 411	20 503	1 991	30	–	–	–	32 935	23 045
Programme support costs	–	30 421	6 458	–	–	–	(36 879)	–	–
Total expenditure	**164 811**	**517 440**	**110 265**	**37 447**	–	**16 566**	**(37 341)**	**809 188**	**699 593**
Excess/(shortfall) of income over expenditure	**(49)**	**(31 243)**	**21 156**	**1 621**	–	–	–	**(8 515)**	**50 302**

	Environment Fund	Trust funds	Earmarked contributions	Special Account for Programme support costs	End-of-service and post-retirement benefits	Regular budget	All funds eliminations	Total all funds	
								2011	2009 restated
Non-budgeted accrued expenses	–	–	–	–	(38 375)	–	–	(38 375)	3 951
Prior-period adjustments (note 4)	(155)	(1 686)	(1 047)	(431)	–	–	–	(3 319)	(3 835)
Net excess/(shortfall) of income over expenditure	**(204)**	**(32 929)**	**20 109**	**1 190**	**(38 375)**	**–**	**–**	**(50 209)**	**50 418**
Savings on or cancellation of prior-period obligations	585	8	–	931	–	–	–	1 524	912
Transfer from/(to) reserves	–	(168)	–	–	–	–	–	(168)	(7 820)
Transfer from/(to) other funds	–	1 008	55	(1 063)	–	–	–	–	–
Refunds to donors (note 5)	–	(2 395)	(810)	–	–	–	–	(3 205)	(2 102)
Fund balances, beginning of biennium	12 918	231 575	48 446	7 331	(46 930)	–	–	253 340	211 932
Fund balances, end of biennium	**13 299**	**197 099**	**67 800**	**8 389**	**(85 305)**	**–**	**–**	**201 282**	**253 340**
Reserves, beginning of biennium	20 000	6 641	–	4 500	3 703	–	–	34 844	25 476
Transfers to reserves	–	168	–	–	566	–	–	734	9 368
Reserves, end of biennium	**20 000**	**6 809**	**–**	**4 500**	**4 269**	**–**	**–**	**35 578**	**34 844**
Total reserves and fund balances	**33 299**	**203 908**	**67 800**	**12 889**	**(81 036)**	**–**	**–**	**236 860**	**288 184**

[a] This cost includes an unrealized loss of $13,792 on the euro cash balance holdings of UNEP.

Statement II

All funds summary

Statement of assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Environment fund	Trust funds	Earmarked contributions	Special Account for Programme support costs	End-of-service and post-retirement benefits	Regular budget	Total all funds	
							2011	*2009 restated*
Assets								
Cash and term deposits (note 6)	3 985	8 405	–	–	–	–	12 390	8 034
Cash pools (note 6)	31 372	297 953	69 976	15 537	–	–	414 838	368 560
Voluntary contributions receivable	908	20 493	–	–	–	–	21 401	20 986
Inter-fund balances receivable (note 7)	4 031	7 957	4 487	419	21 075	–	37 969	35 280
Accounts receivable (note 8)	4 000	59 468	19 569	62	–	399	83 498	66 887
Other assets (note 9)	5 751	68 427	144	66	–	–	74 388	4 148
Total assets	**50 047**	**462 703**	**94 176**	**16 084**	**21 075**	**399**	**644 484**	**503 895**
Liabilities								
Payments or contributions received in advance	60	43 292	–	–	–	–	43 352	6 040
Unliquidated obligations	13 518	98 059	17 536	2 230	–	399	131 742	91 434
Inter-fund balances payable (note 7)	–	39 117	–	–	–	–	39 117	36 582
Accounts payable (note 10)	3 129	10 495	8 712	965	–	–	23 301	23 438
End-of-service and post-retirement benefits (note 12)	–	–	–	–	102 111	–	102 111	58 144
Other liabilities (note 9)	41	67 832	128	–	–	–	68 001	73
Total liabilities	**16 748**	**258 795**	**26 376**	**3 195**	**102 111**	**399**	**407 624**	**215 711**
Reserves and fund balances								
Financial and other reserves (note 11)	20 000	6 809	–	4 500	4 269	–	35 578	34 844
Fund balance	13 299	197 099	67 800	8 389	(85 305)	–	201 282	253 340
Total reserves and fund balances	**33 299**	**203 908**	**67 800**	**12 889**	**(81 036)**	**–**	**236 860**	**288 184**
Total liabilities, reserves and fund balances	**50 047**	**462 703**	**94 176**	**16 084**	**21 075**	**399**	**644 484**	**503 895**

Statement III
All funds summary

Statement of cash flows for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Environment fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme support costs*	*End-of-service and post-retirement benefits*	*Regular budget*	*Total all funds*	
							2011	*2009 restated*
Cash flows from operating activities								
Net excess/(shortfall) of income over expenditure	(204)	(32 929)	20 109	1 190	(38 375)	–	(50 209)	50 418
(Increase)/decrease in:								
Contributions receivable	4 764	(5 179)	–	–	–	–	(415)	(183)
Accounts receivable	2 485	(12 799)	(7 246)	95	–	854	(16 611)	10 930
Other assets	(2 176)	(68 000)	(86)	22	–	–	(70 240)	(1 250)
Inter-fund balances receivable	2 168	(1 969)	3 689	(419)	(6 158)	–	(2 689)	12 843
Increase/(decrease) in:								
Payments received in advance	(92)	37 404	–	–	–	–	37 312	(11 587)
Unliquidated obligations	(8 154)	48 657	1 096	(437)	–	(854)	40 308	44 034
Accounts payable	(1 445)	(817)	2 227	(102)	–	–	(137)	(3 481)
Other liabilities	(32)	67 832	128	–	–	–	67 928	(2 221)
Inter-fund balances payable	–	5 499	(2 491)	(473)	–	–	2 535	(12 586)
End-of-service and post-retirement benefits	–	–	–	–	43 967	–	43 967	(1 223)
Less: interest income	(2 079)	(4 954)	(348)	(417)	–	–	(7 798)	(12 905)
Net cash from operating activities	**(4 765)**	**32 745**	**17 078**	**(541)**	**(566)**	**–**	**43 951**	**72 789**
Cash flows from investing activities								
(Increase)/decrease in:								
Cash pools	3 315	(33 039)	(16 810)	256	–	–	(46 278)	(113 049)
Plus: interest income	2 079	4 954	348	417	–	–	7 798	12 905
Net cash flow from investing activities	**5 394**	**(28 085)**	**(16 462)**	**673**	**–**	**–**	**(38 480)**	**(100 144)**
Cash flows from financing activities								
Savings on or cancellation of prior-periods' obligations	585	8	–	931	–	–	1 524	912
Transfer from/(to) other funds	–	1 008	55	(1 063)	–	–	–	–

	Environment fund	Trust funds	Earmarked contributions	Special Account for Programme support costs	End-of-service and post-retirement benefits	Regular budget	Total all funds	
							2011	2009 restated
Refunds to donors	–	(2 395)	(810)	–	–	–	(3 205)	(2 102)
Transfers from/(to) reserves	–	–	–	–	566	–	566	1 548
Net cash flow from financing activities	**585**	**(1 379)**	**(755)**	**(132)**	**566**	**–**	**(1 115)**	**358**
Net increase/(decrease) in cash and term deposits	**1 214**	**3 281**	**(139)**	**–**	**–**	**–**	**4 356**	**(26 997)**
Cash and term deposits, beginning of biennium	2 771	5 124	139	–	–	–	8 034	35 031
Cash and term deposits, end of biennium	**3 985**	**8 405**	**–**	**–**	**–**	**–**	**12 390**	**8 034**

Statement IV
Environment Fund

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009 restated*
Income			
Voluntary contributions	Schedule 4.1	162 504	174 632
Interest income		2 079	2 181
Miscellaneous income	Note 3	179	284
Total income		**164 762**	**177 097**
Expenditure			
Staff and other personnel costs		119 186	104 566
Contractual services		13 918	29 183
Travel		8 063	11 377
Operating expenses		13 233	15 977
Acquisitions		10 411	9 611
Total expenditure		**164 811**	**170 714**
Excess/(shortfall) of income over expenditure		(49)	6 383
Prior-period adjustments	Note 4	(155)	5
Net excess of income over expenditure		**(204)**	**6 388**
Savings on or cancellation of prior-period obligations		585	114
Transfer to reserves		–	(5 000)
Fund balances, beginning of biennium		12 918	11 416
Fund balances, end of biennium		**13 299**	**12 918**
Financial reserve, beginning of biennium		20 000	15 000
Transfer to reserves		–	5 000
Financial reserve, end of biennium		**20 000**	**20 000**
Total reserves and fund balances		**33 299**	**32 918**

Statement IV (continued)
Environment Fund

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009 restated*
Assets			
Cash and term deposits	Note 6	3 985	2 771
Cash pools	Note 6	31 372	34 687
Voluntary contributions receivable	Schedule 4.1	908	5 672
Inter-fund balances receivable	Note 7	4 031	6 199
Accounts receivable	Note 8	4 000	6 485
Other assets	Note 9	5 751	3 575
Total assets		**50 047**	**59 389**
Liabilities			
Payments or contributions received in advance	Schedule 4.1	60	152
Unliquidated obligations		13 518	21 672
Accounts payable	Note 10	3 129	4 574
Other liabilities	Note 9	41	73
Total liabilities		**16 748**	**26 471**
Reserves and fund balances			
Financial reserve		20 000	20 000
Fund balance		13 299	12 918
Total reserves and fund balances		**33 299**	**32 918**
Total liabilities, reserves and fund balances		**50 047**	**59 389**

Schedule 4.1
Environment Fund
Status of contributions for the biennium ended 31 December 2011

(United States dollars)

Countries/Organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges*	*Collections for future periods*	*Collections for 2010-2011 and prior periods*	*Unpaid pledges*
A. T. Kearney K. K.	–	–	2 983	2 983	–	2 983	–
Afghanistan	–	–	2 450	2 450	–	–	2 450
Albania	–	1 400	1 728	1 728	–	3 128	–
Algeria	–	–	10 000	10 000	–	10 000	–
Andorra	–	–	78 774	78 774	–	78 774	–
Angola	–	–	2 400	2 400	2 400	2 400	–
Antigua and Barbuda	–	–	1 000	1 000	–	1 000	–
Argentina	–	–	124 475	124 475	–	124 475	–
Armenia	–	–	4 000	4 000	–	4 000	–
Australia	–	–	2 007 473	2 007 473	–	2 007 473	–
Austria	–	–	1 120 140	1 120 140	–	1 120 140	–
Azerbaijan	1 800	(1 800)	–	–	–	–	–
Bangladesh	574	–	1 227	1 227	–	1 227	574
Barbados	–	2 500	7 500	7 500	–	10 000	–
Belarus	–	–	28 500	28 500	–	28 500	–
Belgium	857 994	–	9 298 032	9 298 032	–	10 156 026	–
Belize	–	–	1 800	1 800	–	1 800	–
Benin	4 998	(4 998)	–	–	–	–	–
Bhutan	–	–	2 900	2 900	1 450	2 900	–
Botswana	–	12 000	6 000	6 000	–	18 000	–
Brazil	–	–	280 000	280 000	–	–	280 000
Bulgaria	–	–	25 712	25 712	–	25 712	–
Burkina Faso	–	–	6 540	6 540	–	6 540	–
Burundi	–	–	640	640	–	640	–
Cambodia	–	–	2 000	2 000	–	2 000	–
Cameroon	5 746	(5 746)	2 257	2 257	–	2 257	–
Canada	–	–	5 600 000	5 600 000	–	5 600 000	–
Cape Verde	600	(600)	–	–	–	–	–
Chile	–	–	60 000	60 000	–	60 000	–
China	–	–	1 000 000	1 000 000	2 050	1 000 000	–
Colombia	–	–	76 448	76 448	–	76 448	–
Congo	–	–	850	850	–	850	–
Costa Rica	–	–	14 054	14 054	–	14 054	–
Côte d'Ivoire	3 600	(3 600)	–	–	–	–	–

Countries/Organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges*	*Collections for future periods*	*Collections for 2010-2011 and prior periods*	*Unpaid pledges*
Croatia	–	–	66 000	66 000	–	66 000	–
Cyprus	–	–	80 000	80 000	–	80 000	–
Czech Republic	–	–	76 076	76 076	–	76 076	–
Denmark	–	–	8 076 984	8 076 984	–	8 076 984	–
Djibouti	–	–	900	900	–	–	900
Dominica	–	–	1 000	1 000	–	1 000	–
Ecuador	–	–	7 600	7 600	–	7 600	–
Egypt	20 000	40 000	50 000	50 000	–	110 000	–
El Salvador	6 400	–	3 200	3 200	–	–	9 600
Eritrea	–	–	1 800	1 800	–	–	1 800
Estonia	–	–	13 974	13 974	–	13 974	–
Ethiopia	–	–	1 000	1 000	–	1 000	–
Fiji	–	–	9 000	9 000	–	9 000	–
Finland	–	–	8 717 940	8 717 940	–	8 717 940	–
France	–	–	10 880 000	10 880 000	–	10 880 000	–
Gambia	1 000	(1 000)	1 000	1 000	1 000	1 000	–
Georgia	–	–	2 200	2 200	–	2 200	–
Germany	–	–	20 316 386	20 316 386	–	20 316 386	–
Greece	–	–	250 000	250 000	–	250 000	–
Guatemala	–	–	2 900	2 900	–	2 900	–
Guinea-Bissau	1 400	(1 400)	–	–	–	–	–
Guyana	–	–	2 000	2 000	1 005	2 000	–
Honduras	24	(24)	2 000	2 000	–	2 000	–
Hungary	52 000	(52 000)	50 000	50 000	–	50 000	–
Iceland	–	27 000	34 000	34 000	–	61 000	–
India	50 035	–	200 000	200 000	3 890	201 613	48 422
Indonesia	–	–	74 000	74 000	–	74 000	–
Iran	263	–	41 286	41 286	–	41 286	263
Iraq	–	–	2 700	2 700	–	2 700	–
Ireland	–	–	854 981	854 981	–	854 981	–
Israel	20 000	–	20 000	20 000	–	40 000	–
Italy	4 329 003	–	–	–	–	4 329 003	–
Jamaica	3 771	(691)	–	–	–	–	3 080
Japan	–	–	5 782 243	5 782 243	–	5 782 243	–
Jordan	–	–	3 500	3 500	–	3 500	–
Kazakhstan	–	–	40 444	40 444	–	40 444	–
Kenya	–	–	60 000	60 000	30 000	60 000	–
Kuwait	200 000	–	400 000	400 000	–	400 000	200 000
Latvia	13 500	–	–	–	–	13 500	–

Countries/Organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges*	*Collections for future periods*	*Collections for 2010-2011 and prior periods*	*Unpaid pledges*
Lebanon	**6 000**	–	–	–	–	–	**6 000**
Lesotho	–	**20 000**	**9 975**	**9 975**	–	**29 975**	–
Liechtenstein	–	–	**18 000**	**18 000**	–	**18 000**	–
Lithuania	–	–	**46 000**	**46 000**	–	**46 000**	–
Luxembourg	–	–	**1 404 505**	**1 404 505**	–	**1 404 505**	–
Madagascar	–	–	**907**	**907**	–	**907**	–
Malawi	–	–	**1 800**	**1 800**	–	–	**1 800**
Malaysia	–	–	**80 000**	**80 000**	–	**80 000**	–
Maldives	–	–	**2 000**	**2 000**	–	**2 000**	–
Mali	–	–	**1 500**	**1 500**	–	–	**1 500**
Mauritania	**1 500**	–	**7 683**	**7 683**	–	–	**9 183**
Mauritius	–	–	**10 000**	**10 000**	–	**10 000**	–
Mexico	–	–	**700 000**	**700 000**	–	**700 000**	–
Miscellaneous contribution to UNEP	–	–	**1 698**	**1 698**	–	**1 698**	–
Monaco	–	–	**55 530**	**55 530**	–	**55 530**	–
Mongolia	**1 000**	**1 000**	**1 000**	**1 000**	–	**3 000**	–
Morocco	**12 000**	**(12 000)**	**23 617**	**23 617**	**79**	**23 617**	–
Mozambique	–	–	**900**	**900**	–	**900**	–
Myanmar	–	**996**	**2 391**	**2 391**	–	**2 095**	**1 292**
Namibia	–	–	**1 750**	**1 750**	**1 750**	**1 750**	–
Netherlands	–	–	**23 269 800**	**23 269 800**	–	**23 269 800**	–
New 38th Floor Productions Inc	–	–	**5 000**	**5 000**	–	**5 000**	–
New Zealand	–	–	**460 000**	**460 000**	–	**230 000**	**230 000**
Niger	**272**	**(272)**	**1 714**	**1 714**	–	**814**	**900**
Nigeria	**40 000**	–	–	–	–	–	**40 000**
Norway	–	–	**6 078 125**	**6 078 125**	–	**6 078 125**	–
Oman	–	–	**10 000**	**10 000**	–	**10 000**	–
Pakistan	–	–	**21 949**	**21 949**	–	**21 949**	–
Panama	–	–	**20 000**	**20 000**	**10 000**	**20 000**	–
Papua New Guinea	–	–	–	–	**1 000**	–	–
Peru	–	**45 000**	**15 000**	**15 000**	–	**60 000**	–
Philippines	–	–	**36 000**	**36 000**	–	**36 000**	–
Poland	–	–	**300 000**	**300 000**	–	**300 000**	–
Portugal	–	–	**50 000**	**50 000**	–	**50 000**	–
Republic of Korea	–	–	**423 047**	**423 047**	–	**423 047**	–
Republic of Moldova	**2 900**	**(2 900)**	**1 800**	**1 800**	–	**1 800**	–
Republic of Montenegro	**2 000**	–	–	–	–	–	**2 000**
Romania	–	–	**120 000**	**120 000**	–	**60 000**	**60 000**

Countries/Organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges*	*Collections for future periods*	*Collections for 2010-2011 and prior periods*	*Unpaid pledges*
Russian Federation	–	–	1 799 970	1 799 970	–	1 799 970	–
Rwanda	–	–	1 800	1 800	–	1 800	–
Saudi Arabia	106	–	132 752	132 752	–	132 752	106
Senegal	–	–	1 000	1 000	–	1 000	–
Serbia	30 000	10 000	28 000	28 000	–	68 000	–
Sierra Leone	–	760	760	760	–	900	620
Simon Fraser University	–	–	3 001	3 001	–	–	3 001
Singapore	–	–	70 000	70 000	–	70 000	–
Slovakia	–	–	110 000	110 000	–	110 000	–
Slovenia	–	–	172 000	172 000	–	172 000	–
South Africa	–	–	126 000	126 000	–	126 000	–
Spain	–	–	3 570 415	3 570 415	–	3 570 415	–
Sri Lanka	–	–	10 200	10 200	5 100	10 200	–
Suriname	1 200	(440)	1 800	1 800	–	2 542	18
Sweden	–	–	9 128 295	9 128 295	–	9 128 295	–
Switzerland	–	–	8 780 310	8 780 310	–	8 780 310	–
Syrian Arab Republic	–	–	7 000	7 000	–	7 000	–
Thailand	–	–	48 046	48 046	–	48 046	–
Togo	–	–	1 800	1 800	–	1 800	–
Trinidad and Tobago	–	–	10 444	10 444	–	10 444	–
Tunisia	–	–	17 400	17 400	–	17 400	–
Turkey	–	–	600 000	600 000	–	600 000	–
Turkmenistan	1 000	(1 000)	3 300	3 300	–	–	3 300
Tuvalu	600	(600)	900	900	–	900	–
Uganda	–	–	6 850	6 850	–	6 850	–
UNDP Res Rep East Timor	–	–	900	900	–	–	900
United Kingdom	–	–	16 783 629	16 783 629	–	16 783 629	–
United States of America	–	–	12 000 000	12 000 000	–	12 000 000	–
Uruguay	–	6 000	10 000	10 000	–	16 000	–
Vanuatu	600	(600)	–	–	–	–	–
Western Samoa	–	–	900	900	–	900	–
Total	**5 671 886**	**76 985**	**162 504 161**	**162 504 161**	**59 724**	**167 345 325**	**907 707**

Statement IV

Ageing of unpaid pledges as at 31 December 2011

0-6 months	*7-12 months*	*13-24 months*	*More than 24 months*	*Total*
5 750	545 964	305 475	50 518	907 707

Statement V

Trust funds summary

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	General trust funds	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Other*	*Total all funds*	
					2011	*2009*
Income						
Voluntary contributions	199 414	270 137	9 159	993	479 703	426 797
Interest income	2 207	2 571	170	6	4 954	8 376
Sale of publications	–	–	–	58	58	164
Miscellaneous income (note 3)	452	998	31	1	1 482	2 436
Total income	**202 073**	**273 706**	**9 360**	**1 058**	**486 197**	**437 773**
Expenditure						
Staff and other personnel costs	94 116	67 009	7 648	80	168 853	148 409
Contractual services	49 025	133 367	–	90	182 482	141 193
Travel	9 213	14 065	236	25	23 539	19 090
Operating expenses	44 795	46 653	–	194	91 642	66 411
Acquisitions	6 495	13 513	–	495	20 503	11 888
Programme support costs	21 437	8 037	947	–	30 421	27 071
Total expenditure	**225 081**	**282 644**	**8 831**	**884**	**517 440**	**414 062**
Excess/(shortfall) of income over expenditure	(23 008)	(8 938)	529	174	(31 243)	23 711
Prior-period adjustments (note 4)	(1 366)	(330)	9	1	(1 686)	(4 278)
Net excess/(shortfall) of income over expenditure	**(24 374)**	**(9 268)**	**538**	**175**	**(32 929)**	**19 433**
Savings on or cancellation of prior-period obligations	–	–	–	8	8	16
Transfer from/(to) reserves	(168)	–	–	–	(168)	(1 635)
Transfer from/(to) other funds	1 063	(55)	–	–	1 008	(154)
Refunds to donors (note 5)	(876)	(1 371)	(148)	–	(2 395)	(844)
Fund balances, beginning of biennium	79 142	146 188	6 555	(310)	231 575	214 759
Fund balances, end of biennium	**54 787**	**135 494**	**6 945**	**(127)**	**197 099**	**231 575**
Reserves, beginning of biennium	6 641	–	–	–	6 641	5 006

	General trust funds	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Other*	*Total all funds*	
					2011	*2009*
Transfers to reserves	168	–	–	–	168	1 635
Reserves, end of biennium	**6 809**	**–**	**–**	**–**	**6 809**	**6 641**
Total reserves and fund balances	**61 596**	**135 494**	**6 945**	**(127)**	**203 908**	**238 216**

Statement VI
Trust funds summary

Statement of assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	General trust funds	*Technical cooperation trust funds*	*Professional Officers trust funds*	*Other*	*Total all funds*	
					2011	*2009 restated*
Assets						
Cash and term deposits (note 6)	8 320	45	–	40	8 405	5 124
Cash pools (note 6)	92 325	198 452	6 767	409	297 953	264 914
Voluntary contributions receivable	19 875	618	–	–	20 493	15 314
Inter-fund balances receivable (note 7)	2 139	5 616	190	12	7 957	5 988
Accounts receivable (note 8)	5 536	53 873	55	4	59 468	46 669
Other assets (note 9)	714	67 679	22	12	68 427	427
Total assets	**128 909**	**326 283**	**7 034**	**477**	**462 703**	**338 436**
Liabilities						
Payments or contributions received in advance	5 690	37 602	–	–	43 292	5 888
Unliquidated obligations	20 018	77 992	45	4	98 059	49 402
Inter-fund balances payable (note 7)	38 449	80	–	588	39 117	33 618
Accounts payable (note 10)	2 723	7 728	44	–	10 495	11 312
Other liabilities (note 9)	433	67 387	–	12	67 832	–
Total liabilities	**67 313**	**190 789**	**89**	**604**	**258 795**	**100 220**
Reserves and fund balances						
Operating reserve	6 809	–	–	–	6 809	6 641
Fund balance	54 787	135 494	6 945	(127)	197 099	231 575
Total reserves and fund balances	**61 596**	**135 494**	**6 945**	**(127)**	**203 908**	**238 216**
Total liabilities, reserves and fund balances	**128 909**	**326 283**	**7 034**	**477**	**462 703**	**338 436**

Statement VII

United Nations Environment Programme trust funds summary

Statement of cash flows for the biennium ended 31 December 2011

(Thousands of United States dollars)

	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Other	Total all funds	
					2011	2009 restated
Cash flows from operating activities						
Net excess/(shortfall) of income over expenditure	(24 374)	(9 268)	538	175	(32 929)	19 433
(Increase)/decrease in:						
Contributions receivable	(4 561)	(618)	–	–	(5 179)	3 220
Accounts receivable	4 022	(16 794)	(27)	–	(12 799)	15 558
Other assets	(558)	(67 425)	(5)	(12)	(68 000)	472
Inter-fund balances receivable	519	(3 023)	416	119	(1 969)	30 456
Increase/(decrease) in:						
Payments or contributions received in advance	(198)	37 602	–	–	37 404	300
Unliquidated obligations	1 331	47 402	(6)	(70)	48 657	23 105
Accounts payable	(546)	(279)	12	(4)	(817)	(2 806)
Other liabilities	433	67 387	–	12	67 832	–
Inter-fund balances payable	18 273	(12 172)	(535)	(67)	5 499	(6 835)
Less: interest income	(2 207)	(2 571)	(170)	(6)	(4 954)	(8 376)
Net cash from operating activities	**(7 866)**	**40 241**	**223**	**147**	**32 745**	**74 527**
Cash flows from investing activities						
(Increase)/decrease in cash pool	8 842	(41 451)	(245)	(185)	(33 039)	(94 944)
Plus: interest income	2 207	2 571	170	6	4 954	8 376
Net cash flow from investing activities	**11 049**	**(38 880)**	**(75)**	**(179)**	**(28 085)**	**(86 568)**
Cash flows from financing activities						
Savings on or cancellation of prior-periods' obligations	–	–	–	8	8	16
Transfer from/(to) other funds	1 063	(55)	–	–	1 008	(154)
Refunds to donors	(876)	(1 371)	(148)	–	(2 395)	(844)
Net cash flow from financing activities	**187**	**(1 426)**	**(148)**	**8**	**(1 379)**	**(982)**

	General trust funds	Technical cooperation trust funds	Professional Officers trust funds	Other	Total all funds	
					2011	2009 restated
Net increase/(decrease) in cash and term deposits	3 370	(65)	–	(24)	3 281	(13 023)
Cash and term deposits, beginning of biennium	4 950	110	–	64	5 124	18 147
Cash and term deposits, end of biennium	**8 320**	**45**	**–**	**40**	**8 405**	**5 124**

Statement VIII
Special Account for Programme Support Costs

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009*
Income			
Income for services rendered:			
Direct support to UNEP		16 445	18 242
Conventions/Protocols/Regional Seas Programmes		20 434	12 951
Multilateral Fund	Statement XI	767	652
Interest income		417	560
Miscellaneous income	Note 3	1 005	1 841
Total income		**39 068**	**34 246**
Expenditure			
Staff and other personnel costs		25 982	23 289
Contractual services		7 945	7 607
Travel		608	380
Operating expenses		2 882	699
Acquisitions		30	280
Total expenditure		**37 447**	**32 255**
Excess of income over expenditure		1 621	1 991
Prior-period adjustments	Note 4	(431)	86
Net excess of income over expenditure		**1 190**	**2 077**
Savings on or cancellation of prior-period obligations		931	766
Transfer from (to) operating reserve		–	(2 000)
Transfer from (to) other funds		(1 063)	–
Fund balances, beginning of biennium		7 331	6 488
Fund balances, end of biennium		**8 389**	**7 331**
Operating reserve, beginning of biennium		4 500	2 500
Transfer from operating reserve		–	2 000
Operating reserve, end of biennium		**4 500**	**4 500**
Reserves and fund balances, end of biennium		**12 889**	**11 831**

Statement VIII (continued)
Special Account for Programme Support Costs

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009*
Assets			
Cash pools	Note 6	15 537	15 793
Inter-fund receivable	Note 7	419	–
Accounts receivable	Note 8	62	157
Other assets	Note 9	66	88
Total assets		**16 084**	**16 038**
Liabilities			
Unliquidated obligations		2 230	2 667
Inter-fund balances payable	Note 7	–	473
Accounts payable	Note 10	965	1 067
Total liabilities		**3 195**	**4 207**
Reserves and fund balances			
Operating reserve		4 500	4 500
Fund balance		8 389	7 331
Total reserves and fund balances		**12 889**	**11 831**
Total liabilities, reserves and fund balances		**16 084**	**16 038**

Statement IX
Trust funds

Income, expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
Summary by type of support					
Direct support to UNEP programme of work					
General trust funds	30 069	46 884	(70 780)	800	6 973
Technical trust funds, General	52 325	101 421	(81 716)	(1 839)	70 191
Technical trust funds, Personnel	6 555	9 360	(8 831)	(139)	6 945
Earmarked contributions	31 990	109 947	(88 073)	(703)	53 161
Other funds	294	242	(123)	8	421
Total direct support to UNEP programme of work	**121 233**	**267 854**	**(249 523)**	**(1 873)**	**137 691**
Conventions/protocols/regional seas programmes					
General trust funds	49 073	155 189	(154 301)	(2 147)	47 814
Technical trust funds, General	21 683	36 959	(35 120)	(1)	23 521
Earmarked contributions	13 521	21 204	(20 457)	(986)	13 282
Other funds	(604)	816	(761)	1	(548)
Total conventions/protocols/regional sess programmes	**83 673**	**214 168**	**(210 639)**	**(3 133)**	**84 069**
Supporting the Global Environment Facility					
Special accounts and trust funds	72 180	135 326	(165 808)	84	41 782
Earmarked contributions	2 935	270	(1 735)	(113)	1 357
Total supporting the Global Environment Facility	**75 115**	**135 596**	**(167 543)**	**(29)**	**43 139**
Grand total trust funds	**280 021**	**617 618**	**(627 705)**	**(5 035)**	**264 899**
Summary by type of trust fund					
General trust funds					
Direct support to UNEP programme of work	30 069	46 884	(70 780)	800	6 973
Conventions/protocols/regional seas programmes	49 073	155 189	(154 301)	(2 147)	47 814
Total general trust funds	**79 142**	**202 073**	**(225 081)**	**(1 347)**	**54 787**

	Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
Technical cooperation trust funds					
Direct support to UNEP programme of work	52 325	101 421	(81 716)	(1 839)	70 191
Conventions/protocols/regional seas programmes	21 683	36 959	(35 120)	(1)	23 521
Supporting the Global Environment Facility	72 180	135 326	(165 808)	84	41 782
Total technical cooperation trust funds	**146 188**	**273 706**	**(282 644)**	**(1 756)**	**135 494**
Professional Officers trust funds					
Direct support to UNEP programme of work	6 555	9 360	(8 831)	(139)	6 945
Total Professional Officers trust funds	**6 555**	**9 360**	**(8 831)**	**(139)**	**6 945**
Earmarked contributions					
Direct support to UNEP programme of work	31 990	109 947	(88 073)	(703)	53 161
Conventions/protocols/regional seas programmes	13 521	21 204	(20 457)	(986)	13 282
Supporting the Global Environment Facility	2 935	270	(1 735)	(113)	1 357
Total earmarked contributions	**48 446**	**131 421**	**(110 265)**	**(1 802)**	**67 800**
Other funds					
Direct support to UNEP programme of work	294	242	(123)	8	421
Conventions/protocols/regional seas programmes	(604)	816	(761)	1	(548)
Total other funds	**(310)**	**1 058**	**(884)**	**9**	**(127)**
Grand total trust funds	**280 021**	**617 618**	**(627 705)**	**(5 035)**	**264 899**

Schedule 9.1
Trust funds

Income, expenditure and changes in fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
General trust funds directly supporting UNEP						
AEL	General Trust Fund for the Purpose of Post-Conflict Environmental Assessment	4 693	25 391	(26 993)	(1)	3 090
AML	General Trust Fund for the African Ministerial Conference on the Environment	3 452	331	(973)	(1)	2 809
BLL	General Trust Fund in Support of the UNEP/UN-Habitat Balkans Task Force on Environment and Human Settlements	25	1	–	(1)	25
CWL	General Trust Fund for the African Ministers' Council on Water	894	1 226	(1 569)	(217)	334
DUL	General Trust Fund to Support the Activities of the Dams and Development Unit to Coordinate Follow-up to the World Commission on Dams	99	2	–	1	102
EBL	General Trust Fund for Implementing National Biodiversity Strategies and Action Plans	247	6	–	–	253
EEL	General Trust Fund for Environmental Emergencies	8	130	(24)	1	115
ETL	Trust Fund for the Environmental Training Network in Latin America and the Caribbean	167	20	16	–	203
FIL	General Trust Fund to Support the Activities of the UNEP Financial Services Initiative on the Environment	421	4 203	(3 746)	(9)	869
GPL	General Trust Fund in Support of the Implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, and Related Information Exchange and Technical Assistance	1 510	668	(349)	(1)	1 828
IGL	General Trust Fund in support of activities of the Open-Ended Group of Ministers on International Environment Governance	(50)	–	–	50	–
MCL	General Trust Fund in support of a Global Assessment of Mercury and Its Compounds	3 673	7 316	(7 951)	(2)	3 036
POL	General Trust Fund in Support of the Preparation for and Negotiation of an International Legally Binding Instrument for International Action on Persistent Organic Pollutants, and Related Information Exchange	(183)	12	(83)	980	726
PPL	General Trust Fund in Support of the Preparation for and Negotiation of an International Legally Binding Instrument for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade	174	19	594	1	788
RPL	General Trust Fund to support participation of developing countries in reporting the state of the marine environment	13	1	–	–	14

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
SAL	**Trust Fund for the Financing of the New International Environment Prize (Sasakawa Environment Prize)**	**584**	**406**	**(731)**	**–**	**259**
SML	**General Trust Fund for the Strategic Approach to International Chemicals Management Quick Start Programme**	**14 249**	**6 437**	**(14 641)**	**(1)**	**6 044**
WPL	**General Trust Fund to Provide Support to the Global Environment Monitoring System/Water Programming Office and to Promote Its Activities**	**93**	**715**	**(538)**	**–**	**270**
ZZL	**Holding Fund for Cash Transactions of all UNEP Trust Funds**	**–**	**–**	**(13 792)**	**–**	**(13 792)**
	Total directly supporting UNEP	**30 069**	**46 884**	**(70 780)**	**800**	**6 973**
General trust funds supporting conventions/protocols/ regional seas programmes						
AVL	**General Trust Fund for Voluntary Contributions in Respect of the Agreement on the Conservation of African-Eurasian Migratory Water Birds**	**587**	**1 474**	**(1 641)**	**(1)**	**419**
AWL	**General Trust Fund for the African-Eurasian Waterbirds Agreement**	**614**	**2 507**	**(2 081)**	**–**	**1 040**
BAL	**General Trust Fund for the Conservation of Small Cetaceans of the Baltics and North Seas (ASCOBANS)**	**86**	**501**	**(510)**	**–**	**77**
BCL	**Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal**	**2 718**	**9 219**	**(9 553)**	**(20)**	**2 364**
BDL	**Trust Fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal**	**5 251**	**4 938**	**(5 242)**	**(144)**	**4 803**
BEL	**General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity**	**7 624**	**23 736**	**(19 009)**	**(2 002)**	**10 349**
BGL	**General Trust Fund for the Core Programme Budget for the Biosafety Protocol**	**2 061**	**4 763**	**(5 578)**	**1**	**1 247**
BHL	**Special Voluntary Trust Fund for the Additional Voluntary Contributions in Support of Approved Activities of the Biosafety Protocol**	**565**	**1 378**	**(1 348)**	**(27)**	**568**
BIL	**Special Voluntary Trust Fund to Facilitate the Participation of Parties, in particular the Least Developed and Small Island Developing States among them, and Parties with Economies in Transition (Biosafety Protocol)**	**265**	**122**	**(201)**	**–**	**186**
BTL	**General Trust Fund for the Conservation of European Bats (EUROBATS)**	**274**	**964**	**(985)**	**–**	**253**
BYL	**General Trust Fund for the Convention on Biological Diversity**	**1 185**	**24 868**	**(24 481)**	**(10)**	**1 562**

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
BZL	**General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity**	**1 022**	**4 284**	**(3 815)**	**(331)**	**1 160**
CRL	**Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme**	**3 915**	**2 629**	**(2 443)**	**(120)**	**3 981**
CTL	**Trust Fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)**	**1 729**	**10 521**	**(10 652)**	**–**	**1 598**
EAL	**Regional Seas Trust Fund for the Eastern African Region**	**3 241**	**522**	**(606)**	**(1)**	**3 156**
ESL	**Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas**	**401**	**312**	**(562)**	**(100)**	**51**
LAL	**General Trust Fund in Support of the Lusaka Agreement Task Force on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora**	**2**	**–**	**–**	**1**	**3**
MEL	**Trust Fund for the Protection of the Mediterranean Sea against Pollution**	**(4 508)**	**14 703**	**(13 831)**	**1 959**	**(1 677)**
MPL	**Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer**	**7 421**	**8 750**	**(8 942)**	**1**	**7 230**
MSL	**Trust Fund for the Convention of Conservation of Migratory Species of Wild Animals**	**863**	**6 448**	**(6 404)**	**–**	**907**
MVL	**General Trust Fund for Voluntary Contributions in Support of the Convention on the Conservation of Migratory Species of Wild Animals**	**1 277**	**4 323**	**(3 944)**	**(14)**	**1 642**
PNL	**General Trust Fund for the Protection, Management and Development of the Coastal and Marine Environment and the Resources of the Northwest Pacific Region**	**1 077**	**793**	**(582)**	**–**	**1 288**
ROL	**General Trust Fund for the Operational Budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade**	**1 696**	**8 083**	**(8 544)**	**(123)**	**1 112**
RVL	**Special Trust Fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade**	**1 736**	**1 143**	**(2 326)**	**(4)**	**549**
SCL	**General Trust Fund for the Stockholm Convention on Persistent Organic Pollutants, Its Subsidiary Bodies and the Convention Secretariat**	**1 491**	**12 030**	**(12 505)**	**(38)**	**978**
SOL	**General Trust Fund for Financing Activities on Research and Observations to the Vienna Convention**	**144**	**22**	**(88)**	**1**	**79**
SVL	**Special Trust Fund for the Stockholm Convention on Persistent Organic Pollutants, Its Subsidiary Bodies and the Convention Secretariat**	**2 742**	**3 740**	**(5 536)**	**(986)**	**(40)**
VBL	**Voluntary Trust Fund to Facilitate the Participation of Indigenous and Local Communities in the Work of the Convention on Biological Diversity**	**217**	**866**	**(686)**	**(189)**	**208**
VCL	**Trust Fund for the Vienna Convention for the Protection of the Ozone Layer**	**3 092**	**1 284**	**(1 850)**	**–**	**2 526**

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
WAL	**Trust Fund for the Convention for Cooperation in the Protection and Development of the Marine and Coastal Environment of the West, Central and Southern African Region**	285	266	(356)		195
	Total supporting conventions/protocols/regional seas programmes	**49 073**	**155 189**	**(154 301)**	**(2 147)**	**47 814**
	Total general trust funds (statement V)	**79 142**	**202 073**	**(225 081)**	**(1 347)**	**54 787**
Technical cooperation trust funds directly supporting UNEP — General						
AHL	**Technical Cooperation Trust Fund to Assist the Implementation of Agenda 21 in Europe and to Strengthen the Pan-European Environmental Cooperation (financed by the Government of the Netherlands)**	50	–	–	–	50
BPL	**Technical Cooperation Trust Fund for the Implementation of the Agreement with Belgium**	1 578	25	(270)	(362)	971
CIL	**Technical Cooperation Trust Fund to Support the Implementation of the Strategic Plan for Remediation Activities following the Toxic Waste Incident in Abidjan, Côte d'Ivoire**	520	7	(386)	–	141
CNL	**Technical Cooperation Trust Fund for the UNEP Climate Neutral Fund**	552	496	(216)	–	832
DPL	**Technical Cooperation Trust Fund for the Partnership Agreement between the Government of the Netherlands and UNEP**	(9)	1	11	–	3
EAP	**Multi-Donor Technical Cooperation Trust Fund for the Implementation of the African Elephant Action Plan**	–	175	–	–	175
ECL	**Technical Cooperation Trust Fund to Support Achievement of Contribution Agreement No. 21**	–	13	–	–	13
ELL	**Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (financed by the Government of the Netherlands)**	1	1	172	–	174
EML	**Technical Cooperation Trust Fund for Activities in Developing Countries on Environmental Awareness and Machinery (financed by the Government of Germany)**	231	6	–	–	237
ESS	**Technical Cooperation Trust Fund for UNEP implementation of the ecosystem-based adaptation**	–	14 277	(47)	–	14 230
EUL	**Technical Cooperation Trust Fund to Support Achievement of Contribution Agreement No. DCI-ENV/2010/258-800**	–	13	–	–	13
GAL	**Technical Cooperation Trust Fund for the Implementation of Activities Funded by the United Nations Fund for International Partnership**	(2 473)	4 019	(1 278)	24	292

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
GIL	**Technical Cooperation Trust Fund to Provide Experts to the UNEP/GRID (Global Resource Information Database) (financed by the Government of the United States of America)**	**55**	**97**	**(90)**	**1**	**63**
GNL	**Technical Cooperation Trust Fund in Support of the Coordination Office of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (financed by the Government of the Netherlands)**	**374**	**6**	**–**	**(175)**	**205**
IAL	**Technical Cooperation Trust Fund for Ireland Aid Multilateral Environment Fund for Africa**	**1 304**	**2 112**	**(1 774)**	**1**	**1 643**
IEL	**Technical Cooperation Trust Fund to Improve the Environment in the Democratic People's Republic of Korea**	**1 863**	**35**	**(922)**	**–**	**976**
IPL	**Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden)**	**426**	**437**	**(394)**	**–**	**469**
JCL	**Technical Cooperation Trust Fund for the Establishment of the International Environmental Technology Centre in Japan**	**1 107**	**3 618**	**(2 212)**	**(70)**	**2 443**
MDL	**Technical Cooperation Trust Fund for UNEP Implementation of the Millennium Development Goals Achievement Fund**	**2 791**	**7 552**	**(7 794)**	**–**	**2 549**
NFL	**Technical Cooperation Trust Fund for the Implementation of the Framework Agreement between UNEP and Norway**	**11 405**	**34 580**	**(35 257)**	**(13)**	**10 715**
RED	**Technical Cooperation Trust Fund to Support the UNEP Programme of Work and Responsibilities in the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries**	**2 189**	**17 963**	**(9 781)**	**65**	**10 436**
REL	**Technical Cooperation Trust Fund for the Promotion of Renewable Energy in the Mediterranean Region**	**4 130**	**1 387**	**(1 117)**	**(90)**	**4 310**
SEL	**Technical Cooperation Trust Fund for the Implementation of the Agreement with Sweden**	**3 605**	**11 989**	**(8 150)**	**(1 308)**	**6 136**
SFL	**Technical Cooperation Trust Fund for the Implementation of the Framework Agreement between Spain and UNEP**	**21 927**	**2 558**	**(11 682)**	**(1)**	**12 802**
UCL	**Technical Cooperation Trust Fund for Enhancement of Cooperation between UNEP and the United Nations Compensation Commission**	**41**	**1**	**–**	**–**	**42**
UTL	**Technical Cooperation Trust Fund for the Implementation of the UNEP-UNCTAD Capacity-Building Task Force on Activities on Trade, Environment and Development**	**316**	**46**	**(305)**	**35**	**92**
VML	**Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer under the Vienna Convention and Montreal Protocol (financed by the Government of Finland)**	**342**	**7**	**(224)**	**54**	**179**
	Total directly supporting UNEP — General	**52 325**	**101 421**	**(81 716)**	**(1 839)**	**70 191**

		Opening Fund balance 1 January 2010	Income	Expenditure	Adjustments/ transfers	Closing Fund balance 31 December 2011
Supporting conventions/protocols/regional seas programmes						
IML	Technical Cooperation Trust Fund for UNEP Implementation of the Multilateral Fund Activities	21 301	36 333	(34 630)	(1)	23 003
MRL	Technical Cooperation Trust Fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	169	621	(490)	–	300
RSL	Technical Cooperation Trust Fund to Support the Implementation of the Rotterdam and Stockholm Conventions in Developing Countries	213	5	–	–	218
	Total supporting conventions/protocols/regional seas programmes	**21 683**	**36 959**	**(35 120)**	**(1)**	**23 521**
Division of the Global Environment Facility						
CCL	Technical Cooperation Trust Fund to for the Management of the UNEP/Global Environment Facility Special Climate Change Fund Programme	1 977	1 057	(2 039)	–	995
FBL	Technical Cooperation Trust Fund for the Implementation of the Global Environment Facility Fee-Based System for Funding Projects Implementation	9 885	18 631	(14 619)	96	13 993
GFL	Technical Cooperation Trust Fund for UNEP Implementation of the Activities Funded by the Global Environment Facility	59 584	108 970	(144 755)	(12)	23 787
LDL	Technical Cooperation for the Management of the UNEP/Global Environment Facility National Adaptation Programme of Action for Least Developed Countries	734	6 668	(4 395)	–	3 007
	Total Division of the Global Environment Facility	**72 180**	**135 326**	**(165 808)**	**84**	**41 782**
	Total technical cooperation trust funds (statement V)	**146 188**	**273 706**	**(282 644)**	**(1 756)**	**135 494**
Directly supporting UNEP personnel						
CEL	Technical Cooperation Trust Fund for Financing of Professional Officers (financed by the Government of Finland)	1 289	994	(1 336)	–	947
CSL	Technical Cooperation Trust Fund for the Provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)	24	1	–	–	25
SNL	Special Purpose Trust Fund for the Provision of a Professional Officer to UNEP/SBC (Secretariat of the Basel Convention)	83	2	(30)	(1)	54
TAL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Austria)	22	–	(15)	–	7
TBL	Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Belgium)	446	9	(188)	–	267

		Opening Fund balance 1 January 2010	*Income*	*Expenditure*	*Adjustments/ transfers*	*Closing Fund balance 31 December 2011*
TCL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)**	**267**	**7**	**–**	**–**	**274**
TDL	**Special Purpose Trust Fund for the Government of Denmark's Agreement with UNEP for the Provision of Junior Professional Officers**	**407**	**716**	**(766)**	**–**	**357**
TEL	**Technical Cooperation Trust Fund for the Provision of Professional and Junior Professional Officers (financed by the Government of the United States of America)**	**15**	**–**	**–**	**–**	**15**
TGL	**Special Purpose Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Germany)**	**621**	**1 411**	**(760)**	**(141)**	**1 131**
THL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of the Netherlands)**	**495**	**647**	**(713)**	**(1)**	**428**
TIL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Italy)**	**156**	**988**	**(897)**	**11**	**258**
TJL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Japan)**	**941**	**215**	**(256)**	**1**	**901**
TKL	**Technical Cooperation Trust Fund for the Provision of Professional Officers (financed by the Government of the Republic of Korea)**	**338**	**1 132**	**(927)**	**–**	**543**
TNL	**Special Purpose Trust Fund for the Government of Norway's Agreement with UNEP for the Provision of Junior Professional Officers**	**612**	**974**	**(1 023)**	**–**	**563**
TOL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by l'Organisation internationale de la Francophonie)**	**58**	**2**	**–**	**–**	**60**
TPL	**Technical Cooperation Trust Fund for the Financing of Professional Officers (financed by the Spanish Agency for International Development)**	**587**	**1 387**	**(1 302)**	**–**	**672**
TRL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of France)**	**186**	**875**	**(618)**	**–**	**443**
TSL	**Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Government of Sweden)**	**8**	**–**	**–**	**(8)**	
	Total directly supporting UNEP personnel (statement V)	**6 555**	**9 360**	**(8 831)**	**(139)**	**6 945**
	Total technical trust funds	**152 743**	**283 066**	**(291 475)**	**(1 895)**	**142 439**
Earmarked contributions						
CPL	Counterpart Contributions in Support of the Environment Fund Activities	31 990	109 947	(88 073)	(703)	53 161

		Opening Fund balance 1 January 2010	Income	Expenditure	Adjustments/ transfers	Closing Fund balance 31 December 2011
QAC	Support for the Convention for Cooperation in the Protection and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	–	64	(64)	–	–
QAW	Support of the Action Plan for the Eastern African Region	936	21	12	(40)	929
QCL	Support of the Action Plan for the Caribbean Environment Programme	682	4 542	(2 191)	(43)	2 990
QEL	Support of the Eastern Asian Seas Action Plan	915	297	(315)	(285)	612
QFL	Support of the EUROBATS Secretariat	49	173	(219)	18	21
QGL	Support of the Global Environment Facility	2 935	270	(1 735)	(113)	1 357
QML	Support of the Mediterranean Action Plan	3 238	4 286	(4 450)	(603)	2 471
QNL	Support of the Northwest Pacific Action Plan	940	3 122	(2 723)	1	1 340
QOL	Support of the Activities of the Ozone Secretariat	(132)	871	(827)	(1)	(89)
QRL	Support of the Basel Convention	10	–	–	–	10
QSL	Support of the African-Eurasian Waterbird Agreement	476	12	–	–	488
QTL	Support of CITES Activities	6 387	6 393	(8 304)	(14)	4 462
QVL	Support of the ASCOBANS Secretariat	47	130	(120)	(19)	38
QWI	Support of the Convention of Migratory Species of Wild Animals	(27)	1 293	(1 256)	–	10
	Total earmarked contributions (statement I)	**48 446**	**131 421**	**(110 265)**	**(1 802)**	**67 800**
Other funds						
Directly supporting UNEP						
FTL	Revolving Fund Activities	82	58	(95)	8	53
SRL	Global trust fund for voluntary contributions in respect of the United Nations scientific committee on the effects of atomic radiation	212	184	(28)	–	368
	Total directly supporting UNEP	**294**	**242**	**(123)**	**8**	**421**
Supporting conventions/protocols/regional seas programmes						
CAL	Support of the Mediterranean Action Plan	(604)	815	(761)	1	(549)
JAL	Support of the Action Plan for the Caribbean Environment Programme	–	1	–	–	1
	Total supporting conventions/protocols/regional seas programmes	**(604)**	**816**	**(761)**	**1**	**(548)**
	Total other funds (statement V)	**(310)**	**1 058**	**(884)**	**9**	**(127)**
	Grand total trust funds (statement IX)	**280 021**	**617 618**	**(627 705)**	**(5 035)**	**264 899**

Statement X

End-of-service and post-retirement benefits

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*After-service health insurance*	*Annual leave*	*Repatriation benefits*	*Total*	
					2011	*2009*
Non-budgeted accrued expenses for end-of-service and post-retirement benefits		(38 248)	(127)	–	(38 375)	3 951
Net excess of income over expenditure		**(38 248)**	**(127)**	**–**	**(38 375)**	**3 951**
Transfer from reserves		–	–	–	–	815
Fund balances, beginning of biennium		(38 968)	(7 962)	–	(46 930)	(51 696)
Fund balances, end of biennium		**(77 216)**	**(8 089)**	**–**	**(85 305)**	**(46 930)**
Reserves, beginning of biennium		–	–	3 703	3 703	2 970
Transfer to reserves		–	–	566	566	733
Reserves, end of biennium		**–**	**–**	**4 269**	**4 269**	**3 703**
Total reserves and fund balances		**(77 216)**	**(8 089)**	**4 269**	**(81 036)**	**(43 227)**

Statement X (continued)

End-of-service and post-retirement benefits

Statement of assets, liabilities, reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	Reference	*After-service health insurance*	*Annual leave*	*Repatriation benefits*	*Total*	
					2011	*2009*
Assets						
Inter-fund balances receivable	Note 7	–	–	21 075	21 075	14 917
Total assets		**–**	**–**	**21 075**	**21 075**	**14 917**
Liabilities						
End-of-service and post-retirement benefits	Note 12	77 216	8 089	16 806	102 111	58 144
Total liabilities		**77 216**	**8 089**	**16 806**	**102 111**	**58 144**
Reserves and fund balances						
Reserves		–	–	4 269	4 269	3 703
Fund balance		(77 216)	(8 089)	–	(85 305)	(46 930)
Total reserves and fund balances		**(77 216)**	**(8 089)**	**4 269**	**(81 036)**	**(43 227)**
Total liabilities, reserves and fund balances		**–**	**–**	**21 075**	**21 075**	**14 917**

Statement XI

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009 restated*
Income			
Assessed contributions	Schedule 11.1	255 551	252 558
Voluntary contributions	Schedule 11.1	1 672	1 949
Interest income		6 141	16 368
Miscellaneous income		168	4 514
Fixed exchange rate mechanism gains		–	7 599
Total income		**263 532**	**282 988**
Expenditure			
Staff and other personnel costs		7 699	6 989
Contractual services		1 383	1 868
Travel		531	627
Operating expenses		731	721
Acquisitions		1 596	1 206
Fixed exchange rate mechanism losses		10 304	–
Programme support costs	Statement VIII	767	652
UNEP-managed activities[a]		34 374	37 628
UNDP-managed activities[b]		64 515	69 243
UNIDO-managed activities[b]		56 910	54 297
World Bank-managed activities[b]		34 803	111 631
Total expenditure		**213 613**	**284 862**
Excess/(shortfall) of income over expenditure		49 919	(1 874)
Prior-period adjustments		(8 949)	(156 904)
Excess/(shortfall) of income over expenditure		**40 970**	**(158 778)**
Fund balances, beginning of biennium		321 757	480 535
Fund balances, end of biennium		**362 727**	**321 757**

Statement XI (continued)

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Statement of assets, liabilities, reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reference	*2011*	*2009 restated*
Assets			
Cash and term deposits	Note 6	831	681
Cash pools	Note 6	15 238	81 109
Advances provided to implementing agencies		305 094	179 423
Voluntary contributions receivable	Schedule 11.1	187 122	183 998
Less provision for doubtful accounts receivable[c]		(166 233)	(156 904)
Net voluntary contribution receivable		20 889	27 094
Inter-fund balances receivable	Note 7	–	16
Promissory notes		24 844	36 363
Accounts receivable[d]		353	241
Other assets		126 653	19
Total assets		**493 902**	**324 946**
Liabilities			
Payments or contributions received in advance	Schedule 11.1	4 107	2 747
Unliquidated obligations		266	195
Inter-fund balances payable	Note 7	42	–
Accounts payable		120	247
Other liabilities[e]		126 640	–
Total liabilities		**131 175**	**3 189**
Reserves and fund balances			
Fund balance		362 727	321 757
Total fund balances		**362 727**	**321 757**
Total liabilities and fund balances		**493 902**	**324 946**

Statement XI (continued)

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Statement of cash flows for the biennium ended 31 December 2011

(Thousands of United States dollars)

	2011	*2009 restated*
Cash flows from operating activities		
Net excess/(shortfall) of income over expenditure	40 970	(158 778)
(Increase)/decrease in:		
Contributions receivable	(3 124)	(10 247)
Net advances provided to implementing agencies	(125 671)	60 370
Accounts receivable	(112)	965
Other assets	(126 634)	16
Inter-fund balance receivable	16	153
Increase/(decrease) in:		
Provision for doubtful receivables	9 329	156 904
Payments or contributions received in advance	1 360	(4 647)
Unliquidated obligations	71	(129)
Accounts payable	(127)	(47)
Other liabilities	126 640	–
Inter-fund balances payable	42	–
Less: interest income	(6 141)	(16 368)
Net cash flows from operating activities	**(83 381)**	**28 192**
Cash flows from investing activities		
(Increase)/decrease in:		
Promissory notes	11 519	4 385
Cash pools	65 871	(48 717)
Plus: interest income	6 141	16 368
Net cash flow from investing activities	**83 531**	**(27 964)**
Net increase in cash and term deposits	150	228
Cash and term deposits, beginning of biennium	681	453
Cash and term deposits, end of biennium	**831**	**681**

(Footnotes on following page)

(Footnotes to statement XI)

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[a] UNEP bank balances on local imprest accounts for UNEP offices away from Headquarters, previously recorded as receivable accounts are now recorded in the ledgers as bank balances. Management believes that this properly classifies the cash related to imprest accounts resulting in a better presentation of these on the financial statements. This change affects the statement of assets, liabilities, reserves and fund balances of the Fund. Comparatives for the biennium ended 31 December 2009 have been restated as shown below.

Statement of assets, liabilities, reserves and fund balances
(Thousands of United States dollars)

	As originally reported	*Offices away from Headquarters bank balances reclassification*	*Restated*
Cash and term deposits	278	403	681
Accounts receivable	644	(403)	241

[b] To avoid delay, the Treasurer, with the approval of the Executive Committee of the Multilateral Fund, has adopted the practice of recording UNDP, United Nations Industrial Development Organization and World Bank-International Bank for Reconstruction and Development unaudited expenditure as submitted. There is, however, an agreement that the implementing agencies will provide audited expenditures immediately after they become available but not later than 30 September of the following year.

[c] During the biennium 2010-2011, the Fund changed its accounting policy to start recording a provision for doubtful accounts receivable amounting to 100 per cent of all outstanding receivables over four years old and other specific receivables considered uncollectible. Previously, there was no provision for doubtful accounts being made. Management believes that this policy results in a more transparent treatment of uncollectible accounts. This change in policy has been accounted for retrospectively and the comparative statements for 2008-2009 have been restated, as shown below.

Statement of income and expenditure and changes in reserves and fund balances
(Thousands of United States dollars)

	As originally reported	*Doubtful receivable*	*Restated*
Prior-periods' adjustments	–	(156 904)	(156 904)

Statement of assets, liabilities, reserves and fund balances
(Thousands of United States dollars)

	As originally reported	*Doubtful receivable*	*Restated*
Provision for doubtful receivables	–	(156 904)	(156 904)

[d] During the biennium 2010-2011, the Fund changed its accounting policy in respect of the presentation of effects from the Fixed Exchange Rate Mechanism. Gains/(losses) which were previously included in miscellaneous income or operating expenses are now disclosed separately. This change in disclosure affects the statement of income and expenditure and changes in reserves and fund balances. Management is of the opinion that, given its materiality, the change better reflects the effects of the mechanism. Comparatives for the biennium ended 31 December 2009 have been restated, as shown below.

Statement of income and expenditure and changes in reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Fixed Exchange Rate Mechanism*	*Restated*
Miscellaneous income	12 059	(7 545)	4 514
Fixed exchange rate mechanism gains	–	7 599	7 599
Operating expenses	667	54	721

[c] Other assets and other liabilities include commitments for future years amounting to $126,640,000.

Schedule 11.1

Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Status of contributions for the biennium ended 31 December 2011

(United States dollars)

Countries/organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges for 2010-2011*	*Collections for future periods*	*Collections for the current and prior periods*	*Unpaid pledges*
Andorra	–	–	25 896	25 896	–	25 792	104
Australia	–	–	5 446 422	5 446 422	339 000	5 446 422	–
Austria	–	–	2 871 667	2 871 667	–	2 871 667	–
Azerbaijan	565 965	–	16 188	16 188	–	–	582 153
Belarus	2 692 898	–	64 750	64 750	–	–	2 757 648
Belgium	–	–	3 567 731	3 567 731	–	3 567 731	–
Bulgaria	–	–	64 750	64 750	–	64 750	–
Canada	746 631	31	9 308 658	9 308 658	–	9 201 826	853 494
Cyprus	–	–	142 450	142 450	–	142 450	–
Czech Republic	–	–	779 224	779 224	–	779 224	–
Denmark	–	–	2 392 516	2 392 516	–	2 392 516	–
Estonia	–	–	51 800	51 800	–	51 800	–
Finland	–	52 712	1 825 953	1 825 953	–	1 878 665	–
France	693 288	161 078	19 627 166	19 627 166	–	19 788 244	693 288
Germany	171 486	–	21 411 725	21 411 725	59 124	21 411 725	171 486
Greece	861 328	–	1 929 553	1 929 553	–	1 530 244	1 260 637
Hungary	14 976	–	789 951	789 951	–	200 000	604 927
Iceland	–	–	119 788	119 788	–	119 788	–
Ireland	–	–	1 440 690	1 440 690	–	1 440 690	–
Israel	6 234 195	–	1 356 515	1 356 515	–	–	7 590 710
Italy	1 491 779	–	15 787 889	15 787 889	–	12 032 938	5 246 730
Japan	10 740 883	–	52 143 292	52 143 292	96 050	52 047 242	10 836 933
Latvia	1 436	–	58 275	58 275	–	59 711	–
Liechtenstein	–	–	32 375	32 375	–	32 375	–
Lithuania	492 967	–	100 363	100 363	–	100 363	492 967
Luxembourg	–	–	275 188	275 188	–	275 188	–
Malta	–	–	55 038	55 038	–	55 038	–
Monaco	–	–	9 713	9 713	–	9 713	–
Netherlands	–	–	6 063 847	6 063 847	–	6 063 847	–
New Zealand	–	–	828 801	828 801	–	828 801	–
Norway	–	–	2 531 729	2 531 729	–	2 531 729	–
Poland	1 157 014	–	1 621 990	1 621 990	–	607 014	2 171 990
Portugal	2 309 702	–	1 706 165	1 706 165	–	2 322 838	1 693 029
Romania	–	–	226 625	226 625	–	226 625	–

Countries/organizations	*Unpaid pledges as at 1 January 2010*	*Adjustments to prior periods*	*Pledges for 2010-2011*	*Net pledges for 2010-2011*	*Collections for future periods*	*Collections for the current and prior periods*	*Unpaid pledges*
Russian Federation	**101 188 721**	**–**	**3 885 006**	**3 885 006**	**–**	**–**	**105 073 727**
San Marino	**–**	**–**	**11 734**	**11 734**	**–**	**11 734**	**–**
Slovakia	**–**	**–**	**203 963**	**203 963**	**–**	**203 963**	**–**
Slovenia	**–**	**–**	**310 801**	**310 801**	**–**	**310 801**	**–**
Spain	**4 239 458**	**(27 081)**	**8 715 916**	**8 715 916**	**–**	**8 123 835**	**4 804 458**
Sweden	**–**	**139 978**	**3 467 368**	**3 467 368**	**–**	**3 607 346**	**–**
Switzerland	**–**	**–**	**3 936 806**	**3 936 806**	**–**	**3 936 806**	**–**
Tajikistan	**85 180**	**–**	**3 238**	**3 238**	**–**	**23 342**	**65 076**
Turkmenistan	**281 718**	**–**	**–**	**–**	**–**	**–**	**281 718**
Ukraine	**7 989 076**	**–**	**145 688**	**145 688**	**–**	**72 844**	**8 061 920**
United Kingdom	**500 037**	**–**	**21 503 510**	**21 503 510**	**–**	**21 503 510**	**500 037**
United States of America	**41 063 501**	**–**	**58 666 667**	**58 666 667**	**3 612 941**	**66 852 734**	**32 877 434**
Uzbekistan	**476 098**	**–**	**25 900**	**25 900**	**–**	**–**	**501 998**
Total assessed	**183 998 337**	**326 718**	**255 551 278**	**255 551 278**	**4 107 115**	**252 753 869**	**187 122 464**
Voluntary contributions							
Canada	**–**	**–**	**1 671 633**	**1 671 633**	**–**	**1 671 633**	**–**
Total	**183 998 337**	**326 718**	**257 222 911**	**257 222 911**	**4 107 115**	**254 425 502**	**187 122 464**

Statement XI

Ageing of Unpaid Pledges as at 31 December 2011

0-6 months	*7-12 months*	*13-24 months*	*25-36 months*	*37-48 months*	*49-60 months*	*More than 60 months*	*Total*
–	**16 727 438**	**4 955 577**	**3 693 860**	**2 672 779**	**2 681 865**	**156 390 945**	**187 122 464**

Notes to the financial statements

Note 1
United Nations Environment Programme and its objectives

(a) The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972, with the Governing Council of UNEP as its policymaking organ and a secretariat to serve as a focal point for environmental action and coordination within the United Nations system.

(b) The mandate of UNEP has been confirmed through various legislative measures, both by the General Assembly and the Governing Council of UNEP. UNEP also provides the secretariats to several global and regional conventions that have been established in areas related to UNEP programme activities.

(c) The activities for which UNEP is responsible fall within programme 11 (Environment) and the strategic framework for the period 2010-2011. The overall objective of programme 11 is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations. The main elements of the strategy for achieving the overall objective include: (a) filling the information and knowledge gap on critical environmental issues through more comprehensive assessments; (b) identifying and further developing the use of appropriate integrated policy measures in tackling the root causes of major environmental concerns; and (c) mobilizing action for better integration of international action to improve the environment, particularly in relation to regional and multilateral agreements, as well as United Nations system-wide collaborative arrangements.

Note 2
Summary of significant accounting and financial reporting policies

(a) The accounts of UNEP are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Management or the Controller, UNEP financial rules and specific decisions of the Governing Council of UNEP. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination (ACC). The ACC has since been replaced by the Chief Executives Board for Coordination (CEB). The organization follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by the CEB, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The organization's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the organization is a biennium and consists of two consecutive calendar years for all funds.

(d) Generally, income, expenditure, assets, and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges, and current accounts receivable and payable in currencies other than the United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the organization's rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference.

(f) The organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the "indirect method" of cash flow as referred to in the United Nations system accounting standards.

(h) The organization's financial statements are presented in accordance with the ongoing recommendations of the Working Party on Accounting Standards to CEB.

(i) The results of the organization's operations presented in statements I, II and III are combined after the elimination of instances of double-counting of income and expenditure. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) The regular budget of the United Nations meets part of the costs of the secretariat of UNEP established under resolution 2997 (XXVII). Details of the expenditure are consolidated in the financial report and audited financial statements of the United Nations. However, for transparency and completeness, the status of the current period allocations from the regular budget given to UNEP are reported on statement I and related assets and liabilities, if any, on statement II.

(k) Income:

(i) Voluntary contributions to the Environment Fund and multilateral environmental agreements from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Pledges to the Environment Fund remaining unpaid after four years are written off with the approval of the Governing Council. Pledges to multilateral environmental agreements which involve a budget that has been approved by the parties, are written off with the approval of the parties to that multilateral environmental agreement. Contributions to trust funds are recorded as income upon receipt;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf;

(iii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iv) Income for services rendered includes reimbursements for salaries of staff members and other costs which are attributable to the provision of technical and administrative support to other organizations;

(v) Interest income includes all interest earned on deposits in bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pool are allocated to participating funds;

(vi) Miscellaneous income includes refunds of expenditure charged to prior periods, income from net gains resulting from currency translations, monies accepted for which no purpose was specified, cheques uncashed one year from their date of issuance, settlements of insurance claims, and other sundry income;

(vii) Income relating to future financial periods is not recognized in the current financial period and is recorded as payments or contributions received in advance as referred to in item (n) (iii) below.

(l) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the biennium when acquired and is not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges as referred to in item (m) (iv) and (vi) below.

(m) Assets:

(i) Cash and term deposits comprise funds held in demand deposit [illegible]ounts and interest bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments in the cash pool. Cost is defined as the nominal value plus or minus any unamortized premium or discount. Short-term investments, stated at the lower of cost or market value, and long-term investments, stated at cost, are disclosed in note 5;

(iii) United Nations Headquarters cash pools comprise participating funds' share of the cash and term deposits, short-term investments and accrual of investment income, all of which are managed in the pools. The investments in the pools are similar in nature and are accounted for as stated in item (m) (ii) above. Income earned on the investments of the cash pools and the costs associated with the operation of these investments are allocated to participating funds. Each participating fund's share in the cash pools is reported separately in its statements; all currency exchange gains and losses on non-United States dollar cash balances held on behalf of trust funds are apportioned to the trust funds on the basis of the balances held by each fund, and on the basis of the currency in which funds were received and held by UNEP.

(iv) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(v) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations Funds which are normally settled periodically dependent upon the availability of cash resources;

(vi) For the purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged, and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

The value of non-expendable property is recorded in memorandums accounts, and is disclosed in note 13 to the financial statements.

(n) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for "Reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, payments or contributions received in advance and other income received but not yet earned;

(iv) Commitments of the organization relating to prior, current, and future financial periods are shown as unliquidated obligations. Current period obligations related to trust funds remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year.

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise after-service health insurance, annual leave and repatriation benefits. These are determined on an actuarial basis.

(o) Financial reserve. As stated in rule 209.2 of the Financial Rules of the Fund, the purpose of the financial reserve is to guarantee the financial liquidity and integrity of the Environment Fund, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council. The financial reserve has been retained at $20 million, which complies with the Governing Council decision 20/31.

(p) Operating reserve. With regard to the Special Account for Programme Support Costs, an operating reserve is required to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in case of abrupt terminations of activities financed from extrabudgetary resources. With regard to trust funds, and as stated in administrative instruction ST/AI/284, an operating cash reserve at a constant level of 15 per cent of estimated annual planned expenditure will be maintained during the implementation of trust fund activities to cover shortfalls and will be utilized to meet the final expenditure under the trust fund, including any liquidating liabilities.

(q) Revolving Fund. The Governing Council, by its decision 11/ (II) of 22 March 1974, established a Revolving Fund to finance the production of materials in support of national programmes of public information and education in the environment field. The Council further decided that the income from the sale or rental of information materials, the production of which was financed from the Revolving Fund, should be credited to that Fund. Any cumulative surplus in excess of $200,000 is transferred to the Environment Fund at the end of the financial period.

(r) Effective 2011, expenditure with respect to UNEP projects undertaken by cooperating agencies and supporting organizations is recorded in the UNEP accounts when the agreement is signed. Advances given are recorded as receivables in the UNEP accounts and reduced on the basis of actual expenditure of funds reported by participating partners.

(s) A provision to meet contingent liabilities for compensation payments under appendix D to the Staff Rules of the United Nations for the UNEP personnel financed from trust funds and the Environment Fund has been made and is calculated on the basis of 1 per cent of the net base pay.

(t) UNEP follows the general provisions of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) and its supporting administrative instructions (ST/AI/285 and ST/AI/286), although, as indicated in paragraph 3 of the bulletin, its provisions do not apply to funds such as the Fund of the United Nations Environment Programme, which are subject to the administrative authority of their executive heads, for UNEP, the Executive Director.

(u) At the eleventh meeting of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol, it was decided that promissory notes constitute committable resources and that the deposit of a promissory note would be considered to be payment of a country's contribution to the Multilateral Fund. Consequently, promissory notes received from member countries have been reflected in the accounts of the Multilateral Fund.

(v) UNEP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multiemployer defined-benefit plan. An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual participating organizations, the United Nations Environment Programme is not in a position to identify its share of the underlying financial position and performance of the Pension Fund with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined-contribution plan. Thus the UNEP share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date for the current financial statements, the General Assembly had not invoked this provision.

Note 3
Miscellaneous income

(Thousands of United States dollars)

	Environment Fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme Support Costs fund*	*All fund eliminations*	*Total 2011*	*Total 2009*
Gain on currency exchange transactions	29	742	271	–	–	1 042	3 254
Other	150	278	274	–	–	702	601
Support from special accounts for programme support costs	–	–	–	1 005	–	1 005	1 000
Carbon contributions	–	462	–	–	(462)	–	–
Total	**179**	**1 482**	**545**	**1 005**	**(462)**	**2 749**	**4 855**

Note 4
Prior-period adjustments

(Thousands of United States dollars)

	Environment Fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme Support Costs fund*	*Total 2011*	*Total 2009*
Adjustment to prior-period pledges	118	(2 633)	(11)	–	(2 526)	(303)
Write-offs	(62)	(45)	(10)	–	(117)	(3 281)
Net adjustment to prior periods	(211)	992	(1 026)	(424)	(669)	(251)
Other adjustments	–	–	–	(7)	(7)	–
Total	**(155)**	**(1 686)**	**(1 047)**	**(431)**	**(3 319)**	**(3 835)**

Note 5
Refunds to donors

(Thousands of United States dollars)

	Trust funds	*Earmarked contributions*	*2011*	*2009*
European Commission (EC)	548	70	618	213
European Union	52	–	52	–
Federal Ministry for Environment, Nature Conservation & Nuclear Safety (BMU)	–	8	8	–
Government of Finland c/o Permanent Mission of Finland to the United Nations	49	–	49	–
Government of Germany c/o Permanent Mission of Germany to the United Nations	303	–	303	32

	Trust funds	*Earmarked contributions*	*2011*	*2009*
Government of Indonesia	–	20	20	38
Government of Japan c/o Permanent Mission of Japan to the United Nations	44	–	44	541
Government of Sweden c/o Permanent Mission of Sweden to the United Nations	35	–	35	30
Ministerie van BuitenlandseZaken	176	–	176	–
Ministre Conseiller c/o Permanent Mission of Monaco to the United Nations	–	–	–	281
Ministry of Foreign Affairs of Denmark	–	18	18	4
Ministry of Foreign Affairs of the Netherlands	–	–	–	106
Multilateral Fund secretariat in Montreal	53	–	53	–
OCHA/IRIN (RO)	–	25	25	–
Permanent Mission of Belgium to the United Nations	362	–	362	–
Permanent Mission of Germany to the United Nations	14	–	14	–
Permanent Mission of Sweden to the United Nations	728	–	728	–
Swedish Chemicals Inspectorate (KEMI)	17	–	17	–
Swedish Environmental Protection Agency (SEPA)	–	73	73	–
Swedish International Development Cooperation Agency (SIDA)	14	546	560	11
UNDP Multi-Partner Trust Fund Office	–	39	39	–
UNDP Res Rep, Iraq — Amman Office	–	11	11	–
UNDP Res Rep, Brazil	–	–	–	826
UNDP Res Rep, Thailand	–	–	–	20
Total	**2 395**	**810**	**3 205**	**2 102**

Note 6
Convertible and non-convertible cash, bank deposits and investments as at 31 December 2011[a]

(Thousands of United States dollars/euros)

		Cash pools[a]			
	Reference	*United States dollar*	*Euro[b]*	*Total*	*Cash and term deposits*
Environment Fund	Statements II & IV	31 372	–	31 372	3 985
Trust funds					
General trust funds		35 993	50 413	86 406	8 320
CITES — Investment outside UNEP cash pools		5 919	–	5 919	–
Total General trust funds	**Statement VI**	**41 912**	**50 413**	**92 325**	**8 320**
Technical cooperation trust funds	Statement VI	103 751	94 701	198 452	45
Professional Officers trust funds	Statement VI	3 538	3 229	6 767	–

	Reference	Cash pools[a]			Cash and term deposits
		United States dollar	Euro[b]	Total	
Other	Statement VI	214	195	409	40
Total trust funds	**Statements II &VI**	**149 415**	**148 538**	**297 953**	**8 405**
Earmarked contributions	Statement II	38 553	31 423	69 976	–
Special Account for Programme Support	Statements II & VIII	8 123	7 414	15 537	–
Total cash, bank deposits and investments	**Statement II**	**227 463**	**187 375**	**414 838**	**12 390**
Represented by					
Cash and term deposits		25 852	89 864	115 716	12 390
Short-term investments at lower of cost or market value[c]		64 966	22 052	87 018	–
Long-term investments at higher of cost or market value		136 089	74 226	210 315	–
Accrued interest receivable		556	1 233	1 789	–
Total UNEP cash, bank deposits and investments		**227 463**	**187 375**	**414 838**	**12 390**
Multilateral Fund	Statement XI	15 238	–	15 238	831
Represented by					
Cash and term deposits		1 732	–	1 732	831
Short-term investments at lower of cost or market value		4 352	–	4 352	–
Long-term investments at lower of cost or market value		9 117	–	9 117	–
Accrued interest receivable		37	–	37	–
Total Multilateral Fund		**15 238**	**–**	**15 238**	**831**

Abbreviations: CITES, Convention on International Trade in Endangered Species of Wild Flora and Fauna.

[a] Investments are placed in United Nations Headquarters joint investment cash pools. Treasury at United Nations Headquarters is solely responsible for the investment policy and participating offices are only responsible for their own cash flow management. See note 20 for more information on cash pools.

[b] The euro cash pool comprises cash and term deposits of €69,555,000, short-term investments of €17,068,000 and accrued interest receivable of €955,000. The United Nations operational exchange rate for the euro as at 31 December 2011 was 1 US$=0.774 euro.

[c] When the market value of the short-term investments is lower than cost, the book value is adjusted accordingly. There is no adjustment effected during the period.

Note 7
Inter-fund balances

Inter-fund balances reflect transactions between the Environment Fund, trust funds, other special accounts, the United Nations General Fund and other United Nations funds, which are settled periodically. The following table is a breakdown of the inter-fund balances in thousands of United States dollars.

	2011	*2009*
Inter-fund balances receivable		
Environment Fund	4 031	6 199
Trust Funds		
General trust funds	2 139	2 658
Technical cooperation trust funds	5 616	2 595
Professional Officers programme	190	605
Other	12	130
Total trust funds	**7 957**	**5 988**
Earmarked contributions	4 487	8 176
Special Account for Programme Support	419	–
End-of-service benefits funds	21 075	14 917
Total	**37 969**	**35 280**
Inter-fund balances payable		
Trust funds		
General trust funds	38 449	20 176
Technical cooperation trust funds	80	12 254
Professional Officers programme	–	534
Other funds	588	654
Total trust funds	**39 117**	**33 618**
Earmarked contributions	–	2 491
Special Account for Programme Support	–	473
Total	**39 117**	**36 582**
Net inter-fund balance	**(1 148)**	**(1 302)**
The net inter-fund balance is due (to)/from		
Multilateral Fund (statement XI)	42	(16)
United Nations Office at Nairobi	(1 190)	(1,286)
Total	(1 148)	(1 302)

The inter-fund balances are reported as assets and liabilities without offset. However, funds in the Environment Fund have been offset since the funding source is the same.

Note 8
Accounts receivable

(Thousands of United States dollars)

The totals below provide a comparison of the amounts shown in statement II as "accounts receivable", as at 31 December 2011 and 2009.

	Environment Fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme Support Costs fund*	*Regular budget*	*Total*	
						2011	*2009*
Staff members	1 249	1 373	235	40	–	2 897	3 185
Vendors	225	32	69	–	–	326	1 237
Specialized agencies	42	8 423	38	22	–	8 525	9 699
Other United Nations agencies	2 197	35 721	16 889	–	399	55 206	41 636
Governments	203	13 761	2 321	–	–	16 285	10 914
Other	84	158	17	–	–	259	216
Total	**4 000**	**59 468**	**19 569**	**62**	**399**	**83 498**	**66 887**
Ageing of accounts receivable							
Less than six months	1 715	21 494	4 677	59	399	28 344	22 175
Six months to one year	7	12 100	2 976	3	–	15 086	11 611
More than one year	269	12 234	2 162	–	–	14 665	12 337
More than two years	2 009	13 640	9 754	–	–	25 403	20 764
Total	**4 000**	**59 468**	**19 569**	**62**	**399**	**83 498**	**66 887**

Note 9
Other assets and other liabilities

(Thousands of United States dollars)

The totals below provide a comparison of the amounts shown in statement II as "other assets", as at 31 December 2011 and 2009.

	Environment Fund	*Trust funds*	*Earmarked contributions*	*Special Account for Programme Support Costs fund*	*Total*	
					2011	*2009*
Other assets						
Deferred charges — Education grant advance	780	462	22	66	1 330	1 112
Deferred charges — Commitments against future years	41	67 832	128	–	68 001	–
Balance related to UNDP IOV transactions	4 917	–	–	–	4 917	2 926
Others	13	133	(6)	–	140	110
Total	**5 751**	**68 427**	**144**	**66**	**74 388**	**4 148**
Other liabilities						
Commitments against future years	41	67 832	128	–	68 001	–

	Environment Fund	Trust funds	Earmarked contributions	Special Account for Programme Support Costs fund	Total	
					2011	2009
Others	–	–	–	–	–	73
Total	**41**	**67 832**	**128**	**–**	**68 001**	**73**

Note 10
Accounts payable

(Thousands of United States dollars)

The totals below provide a comparison of the amounts shown in statement II as at 31 December 2011 and 2009.

	Environment Fund	Trust funds	Earmarked contributions	Special Account for Programme Support Costs fund	Total	
					2011	2009
Staff members	310	552	165	99	1 126	1 168
Vendors	122	410	285	20	837	1 243
Specialized agencies	64	186	54	–	304	670
Other United Nations agencies	2 408	7 714	7 988	846	18 956	18 640
Governments	128	1 263	95	–	1 486	1 387
Other	97	370	125	–	592	330
Total	**3 129**	**10 495**	**8 712**	**965**	**23 301**	**23 438**

Note 11
Financial and other reserves

The reserves as at 31 December 2011 and 2009 were:

(Thousands of United States dollars)

	Environment Fund	Trust funds	Special Account for Programme Support Costs fund	End-of-service and post-retirement benefits	Total	
					2011	2009
Financial reserve	20 000	–	–	–	20 000	20 000
Operating reserve	–	6 809	4 500	–	11 309	11 141
Other reserve	–	–	–	4 269	4 269	3 703
Total	**20 000**	**6 809**	**4 500**	**4 269**	**35 578**	**34 844**

Note 12
End-of-service and post-retirement benefits

End-of-service and post-retirement benefits for UNEP as at 31 December 2011 were as follows:

(Thousands of United States dollars)

	2011	*2009*
After-service health insurance	77 216	38 968
Annual leave	8 089	7 962
Repatriation benefits	16 806	11 214
Total	**102 111**	**58 144**
Less: provision already made	(21 075)	(14 917)
Net liability not funded	**81 036**	**43 227**

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, annual leave, and repatriation benefits. As disclosed in note 2 (n) (vi), these liabilities are determined on the basis of an actuarial valuation.

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance.

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2012 were a discount rate of 4.5 per cent; current and future years rate of inflation of 2.5 per cent; health-care escalation rates of 8.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years for both United States non-Medicare and non-United States medical plans, 7.0 per cent in 2012 grading to 4.5 per cent in 2027 and later years for United States Medicare plans, 5.0 per cent in 2012 grading to 4.5 per cent in 2027 and later years for United States dental plans; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Pension Fund in making its own actuarial valuation.

(iii) Contributions from retirees and a portion of the contributions from active staff are deducted from the gross liability in order to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the organization's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in the determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios.

(iv) On the basis of the assumptions outlined in (ii) and (iii) above, the present value of the accrued liability as at 31 December 2011 net of contributions from plan participants was estimated at $77,216,000.

(v) Further to the assumptions in (ii) above, it is estimated that the present value of the liability would increase by 26.6 per cent and decrease by 20.1 per cent if the medical cost trend increased or decreased by 1.0 per cent, respectively, with all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 27.8 per cent or decrease by 20.5 per cent if the discount rate decreased or increased by 1.0 per cent, respectively, with all other assumptions remaining constant.

(c) Annual leave:

(i) Upon end of service, staff members may commute unused leave days up to a maximum of 60 working days for those holding a fixed-term or continuing appointment. This is referred to as an annual leave benefit.

(ii) The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent based on age and category of staff members; and an annual rate of increase in accumulated annual leave balances of 12.5 days for 1 to 3 years of service, 3.0 days for 4 to 6 years of service and 0.1 days for 7 and more years of service.

(iii) On the basis of these assumptions, the present value of the accrued liability for annual leave as at 31 December 2011 was estimated at $8,089,000.

(d) Repatriation benefits:

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

(ii) The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 9.1 per cent to 4.0 per cent based on age and category of staff members, and travel cost increases of 2.5 per cent per annum.

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2011 was estimated at $16,806,000.

Note 13
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the organization but is charged against current appropriations when acquired. The following table shows the non-expendable property by categories.

(Thousands of United States dollars)

	2011	*2009*
Computer equipment	2 656	2 120
Office equipment	30	25
Radio and telecommunication equipment	71	16
Audiovisual/photographic equipment	186	164
Transportation equipment	90	65
Furniture	957	1 167
Maintenance equipment	2	2
Document and reproduction equipment	52	50
Total equipment relating to UNEP projects	**1 533**	**674**
Total equipment relating to regional and outposted offices	**5 591**	**5 021**
Total	**11 168**	**9 304**
Summary		
Opening balance	9 304	17 498
Acquisitions	1 838	1 364
Disposals:		
Write-offs	(302)	(133)
Sales	–	(10)
Donation	(869)	(1 422)
Adjustments to prior periods[a]	1 197	(7 993)
Closing balance	**11 168**	**9 304**

[a] Inventory in the database adjusted to physical count as at 31 December 2011.

Note 14
Status of the regular budget fund allocations (excludes staff assessments)

(Thousands of United States dollars)

				Total expenditure	
	Allocation	*Unliquidated obligations*	*Disbursements*	*2011*	*2009*
Staff and other personnel costs:					
Nairobi	10 425	7	10 346	10 353	11 034
Geneva	1 497	1	1 622	1 623	1 464
New York	984	–	971	971	921
UNSCEAR	1 062	–	1 059	1 059	825
Subtotal	**13 968**	**8**	**13 998**	**14 006**	**14 244**
Non-staff costs:					
Nairobi	3 225	359	1 746	2 105	2 152

	Allocation	Unliquidated obligations	Disbursements	Total expenditure 2011	Total expenditure 2009
Geneva	43	2	30	32	30
New York	41	1	35	36	24
UNSCEAR	387	29	358	387	420
Subtotal	**3 696**	**391**	**2 169**	**2 560**	**2 626**
Total	**17 664**	**399**	**16 167**	**16 566**	**16 870**

Abbreviation: UNSCEAR, United Nations Scientific Committee on the Effects of Atomic Radiation.

Note 15
Accounting policy change: treatment of local imprest bank accounts

UNEP bank balances on local imprest accounts for UNEP offices away from Headquarters, previously recorded to receivable accounts, are now recorded in the ledgers as bank balances. Management believes that this properly classifies the cash related to imprest accounts, resulting in a better presentation of these on the financial statements.

This change affects the "All funds summary statement of assets, liabilities, reserves and fund balances" (statement II). Comparatives for the biennium ended 31 December 2009 have been restated, as shown below.

Statement of assets, liabilities, reserves and fund balances

(Thousands of United States dollars)

	As originally reported	Offices away from Headquarters bank balances reclassification	Restated C/F to note 16
Statement II			
Cash and term deposits	6 786	1 248	8 034
Accounts receivable	66 882	(1 248)	65 634
Statement IV			
Cash and term deposits	2 300	471	2 771
Accounts receivable	6 956	(471)	6 485
Statement VI			
Cash and term deposits	4 486	638	5 124
Accounts receivable	47 307	(638)	46 669

Note 16
Accounting policy change: regular budget funding

Regular budget funding and its related expenditure, previously reported as a note to the financial statements, is now reported on the face of the financial statements. Management judges that this policy provides a more complete presentation of the financial results of UNEP. The assets and liabilities related to regular budget funding are wholly owned by the United Nations Secretariat and are

reported in volume I, the report on its financial statements. However, those specific to the expenditure that has been recorded have been reflected on statement II. The comparative figures for the biennium ended 31 December 2009 have been restated, as shown below.

Statement I
Statement of income and expenditure and changes in reserves and fund balances

(Thousands of United States dollars)

	As restated on note 15	*Inclusion of regular budget*	*Restated*
Income			
Regular budget allocations	–	16 870	16 870
Total income	733 025	16 870	749 895
Expenditure			
Staff and other personnel costs	305 169	14 244	319 413
Operating expenses	103 816	2 626	106 442
Total expenditure	**682 723**	**16 870**	**699 593**

Statement II
Statement of assets, liabilities, reserves and fund balances

(Thousands of United States dollars)

	As originally reported	*Inclusion of regular budget*	*Restated*
Assets			
Accounts receivable	65 634	1 253	66 887
Total assets	**502 642**	**1 253**	**503 895**
Liabilities			
Unliquidated obligations	90 181	1 253	91 434
Total liabilities	**214 458**	**1 253**	**215 711**

Note 17
Accounting policy change: treatment of commitments against future years

During the period ended 31 December 2011, UNEP implemented the recording of commitments against future years as liabilities in its books. In the past, depending on the type of legal instrument used, these were either recorded as expenditure by recording an unliquidated obligation resulting in the recognition of a current liability in the books, or recorded only as expenditure, upon receipt of the implementation expenditure report, without the associated liability. UNEP now fully records its commitments (current and future) at the time the respective agreement instrument is signed.

This change is in line with new instructions on this subject given by the United Nations Headquarters. Management believes that this properly discloses in its financial statements the commitments UNEP makes to its partners through various agreement instruments. The amount involved is being shown as "commitments against future years" on note 9 and reflected on the balance sheet under "other liabilities", with an offset being shown under "other assets".

Given the impracticality of obtaining comparative figures, the financial statements for previous periods have not been restated.

Note 18
Contributions in kind

During the biennium ended 31 December 2011, UNEP received voluntary in-kind contributions for various goods and services from Governments and other organizations. The estimated fair value of such in-kind contributions was $2,231,466, as itemized below.

Category	*Amount (United States dollars)*	*Comments*
Office equipment	372 500	500 laptop computers donated by the Government of Qatar
Services in kind	1 858 966	Services received from the Government of Bahrain and other Governments
Total	**2 231 466**	

Note 19
Contingent liabilities

As at 31 December 2011, UNEP had two potential cases of contingent liabilities, both staff-related. Management has determined that they meet the criteria for disclosure as contingent liabilities. The estimated liability for the two cases is $242,021.

Note 20
Cash pools

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including UNEP. Such surplus funds are combined in one of three internally managed cash pools, which invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities;

(ii) Investment activities of all the cash pools are guided by the principles contained in the Investment Management Guidelines ("Guidelines"). An Investment Committee periodically assesses compliance with the Guidelines, makes recommendations for updates thereto, and also reviews the performance of the various cash pools;

(b) Investment management objectives:

Further to the Guidelines, investment objectives of all the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return, taking into account investment risk constraints and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool;

(c) Cash pools:

(i) UNEP participates in the following cash pools:

(1) The offices away from Headquarters pool, which has investments only in United States dollars and is for use by funds whose main books of accounts are maintained in one of the offices away from Headquarters.

(2) The euro pool which has investments only in euros, and is for use by funds in offices away from Headquarters which may have a surplus of euros from their operations.

(ii) The cash pools invest in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments, asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pools are expensed as incurred in the cash pools and the net income is distributed proportionately to the funds participating in the cash pools;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants.

(d) Financial information pertaining to the offices away from Headquarters and euro cash pools:

(i) As at 31 December 2011, the offices away from Headquarters and euro cash pools held total assets of $1,956.0 million. Of this amount $430.1 million was due to UNEP, comprising $414.8 million, as reflected in the cash pool line in statement II, and $15.3 million, in statement XI (on assets, liabilities and reserves and fund balances specific to the Multilateral Fund).

(ii) Financial information on the offices away from Headquarters and euro cash pools as at 31 December 2011 is summarized in table V.1.

Table V.1
Summary of assets and liabilities of the cash pools as at 31 December 2011

(Thousands of United States dollars)

	OAH pool	*Euro pool*	*Total*
Assets			
Short-term investments[a]	**627 484**	**122 754**	**750 238**
Long-term investments[b]	**940 267**	**152 256**	**1 092 523**
Total investments	**1 567 751**	**275 010**	**1 842 761**
Cash	**2**	**106 815**	**106 817**
Accrued investment income	**3 842**	**2 530**	**6 372**
Total assets	**1 571 595**	**384 355**	**1 955 950**
Liabilities			
Payable to UNEP	**242 700**	**187 375**	**430 075**
Payable to other funds participating in the cash pools	**1 328 895**	**196 980**	**1 525 875**
Total liabilities	**1 571 595**	**384 355**	**1 955 950**
Net assets	–	–	–

Summary of net income of the cash pools for the biennium ended 31 December 2011

(Thousands of United States dollars)

	OAH pool	*Euro pool*[c]	*Total*
Net income			
Interest income	**40 714**	**4 355**	**45 069**
Realized gains on sales of securities	**10 080**	**478**	**10 558**
Securities lending income[d]	**559**	–	**559**
Net income from operations	**51 353**	**4 833**	**56 186**

[a] **Lower of book value or fair value.**

[b] **Book value.**

[c] **Excludes gains or losses arising on revaluation of the underlying euro-based investments.**

[d] **Securities lending refers to the short-term loan of securities owned by the United Nations to other parties, and for which a fee is paid to the United Nations. The terms of the loan are governed by an agreement, which requires the borrower to provide the United Nations with collateral of a value greater than the loaned security.**

(e) Composition of the offices away from Headquarters and euro cash pools:

Table V.2 shows a breakdown of investments held in the offices away from Headquarters and euro cash pools by type of instrument:

Table V.2
Investments of the cash pools by type of instrument as at 31 December 2011

(Thousands of United States dollars)

Offices away from Headquarters pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	989 127	990 001
Non-United States sovereigns and supranationals	325 031	326 577
Subtotal	**1 314 158**	**1 316 578**
Discounted instruments[b]	74 978	74 981
Term deposits	178 615	178 615
Total investments	**1 567 751**	**1 570 174**

Euro pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	93 819	93 764
Non-United States sovereigns and supranationals	103 672	104 055
Subtotal	**197 491**	**197 819**
Term deposits	77 519	77 519
Total investments	**275 010**	**275 338**

Total of cash pools	*Book value*	*Fair value*[a]
Bonds		
Government agencies	1 082 946	1 083 765
Non-United States sovereigns and supranationals	428 703	430 632
Subtotal	**1 511 649**	**1 514 397**
Discounted instruments[b]	74 978	74 981
Term deposits	256 134	256 134
Total investments	**1 842 761**	**1 845 512**

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third parties.

[b] Includes United States Treasury bills and discount notes.

(f) Financial risk management:

The offices away from Headquarters and euro cash pools are exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Individual Rating is used to rate term deposits.

The credit ratings of the issuers whose securities were held in the offices away from Headquarters and euro cash pools are shown in table V.3.

Table V.3

Investments of the cash pools by credit ratings as at 31 December 2011

(Thousands of United States dollars)

Offices away from Headquarters pool	*Total*[a]	*Ratings*
Bonds	1 314 158	S&P: 41.4% AAA and 58.6% AA+/AA-; Moody's: 94.7% Aaa and 5.3% Aa1/Aa3.
Discounted instruments[b]	74 978	S&P: A-1+; Moody's: P-1.
Term deposits	178 615	Fitch: 60.8% A/B and 39.2% B.
Total investments	**1 567 751**	

Euro pool	*Total*[a]	*Ratings*
Bonds	197 491	S&P: AAA; Moody's: Aaa.
Term deposits	77 519	Fitch: B.
Total investments	**275 010**	

[a] Represents the book value of securities as at 31 December 2011.

[b] Includes United States Treasury bills and discount notes.

(ii) Liquidity risk:

The offices away from Headquarters and euro cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pools' cash and cash equivalents and investments is available within one day's notice to support operational requirements. Hence, the pools are able to respond to withdrawal needs in a timely manner and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate due to changes in foreign exchange rates versus the United States dollar. The offices away from Headquarters pool has no currency risk as all its investments are in United States dollar. The euro pool is exposed to currency risk because it holds securities in euros. Accordingly, funds participating in the euro pool are exposed to currency risk to the extent that their share of investments exceeds their operational requirements for euros.

(iv) Interest rate risk:

a. Interest rate risk is the risk of variability in investments' values due to changes in interest rates. In general, as an interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk;

b. The offices away from Headquarters and euro pools are exposed to interest rate risk as their holdings comprise interest-bearing securities. As at 31 December 2011, the pools invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average durations of the offices away from Headquarters pool and euro pool were 0.89 years and 0.93 years, respectively, which are considered to be indicators of low interest rate risk;

c. Table V.4 shows how the fair value of the offices away from Headquarters and euro cash pools as at 31 December 2011 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table V.4
Sensitivity of the cash pools to interest rates as of 31 December 2011

	Change in fair value (USD millions)		
Shift in yield curve (Basis points)	*Offices away from Headquarters pool*	*Euro pool*	*Total*
-200	28	5	33
-150	21	4	25
-100	14	3	17
-50	7	1	8
0	0	0	0
50	-7	-1	-8
100	-14	-3	-17
150	-21	-4	-25
200	-28	-5	-33

(v) Other price risk:

The offices away from Headquarters and euro cash pools are not exposed to significant other price risk, as they do not sell short, or borrow securities, or purchase securities on margin, all of which limits the potential loss of capital.

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